

## Adopted Operating and Capital Budget FY 2011

### Revenue Analysis

*Fredericksburg*<sup>TM</sup>  
**TIMELESS.**  
SPOTSYLVANIA STAFFORD FREDERICKSBURG

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**ADOPTED OPERATING AND CAPITAL BUDGET FY 2011  
GENERAL FUND REVENUE ANALYSIS  
SUMMARY TABLE**

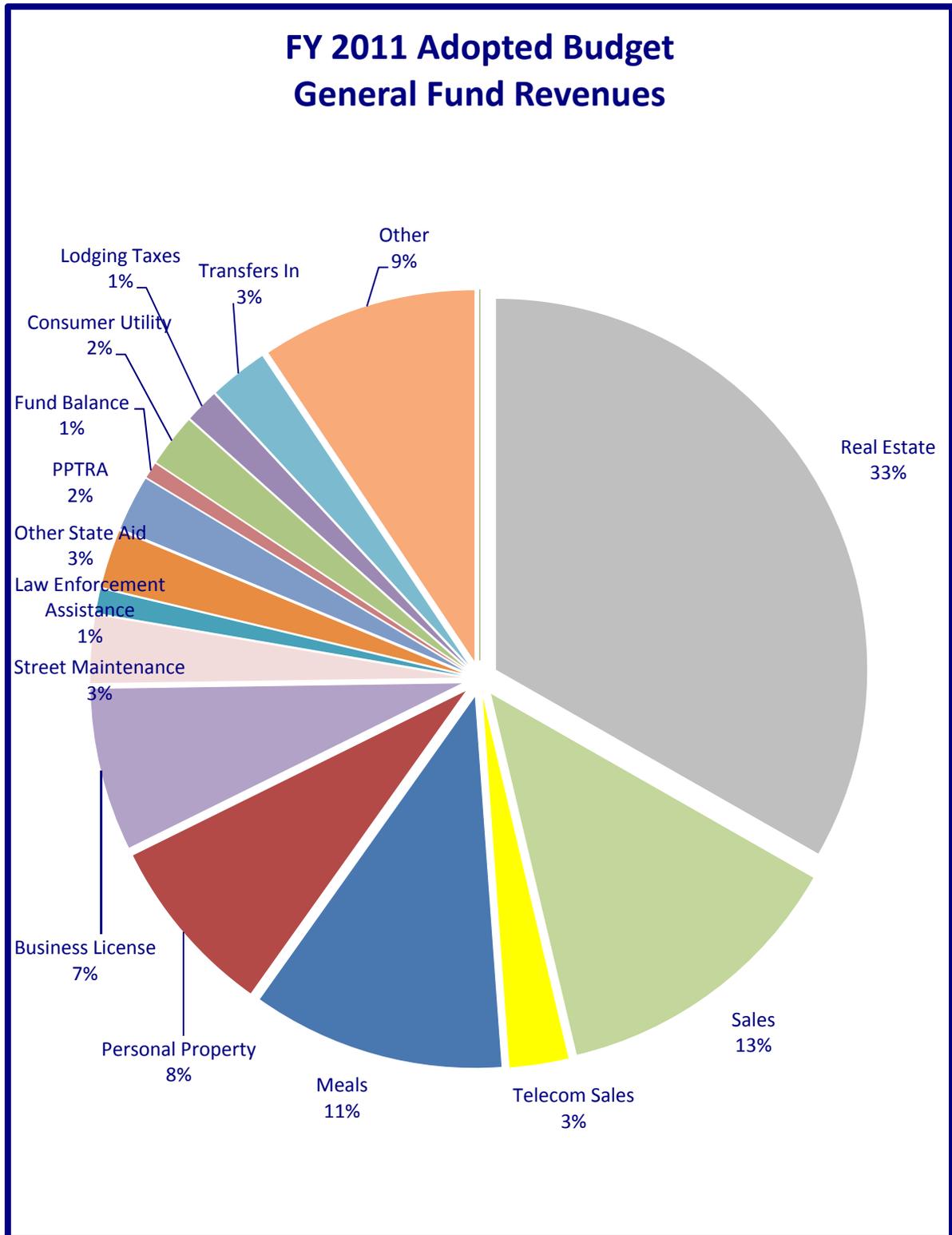
	FY 2008 Actual	FY 2009 Actual	FY 2010 Original	FY 2010 Estimate	FY 2011 Adopted
Real Estate <sup>1</sup>	21,265,520	23,027,762	23,755,000	23,700,500	23,983,000
Personal Property	5,639,709	5,424,927	5,462,800	5,691,400	5,670,600
Sales Tax	10,726,939	10,032,438	9,200,000	9,900,000	9,400,000
Telecommunications Sales Tax	2,019,101	1,897,210	1,900,000	1,800,000	1,850,000
Meals Tax	7,042,409	7,080,021	7,920,000	8,100,000	7,920,000
Business License Tax	5,436,366	5,847,174	4,800,000	5,774,000	5,095,000
Consumer Utility Tax	1,527,028	1,517,109	1,650,000	1,650,000	1,650,000
PPTRA <sup>2</sup> Funds	1,728,623	1,728,833	1,725,000	1,725,000	1,725,000
Lodging Taxes	918,952	1,050,586	1,050,000	1,080,000	1,050,000
Street Maintenance Assistance	2,104,006	2,182,155	2,250,000	2,179,000	2,120,000
State Law Enforcement Assistance	925,632	852,213	852,710	778,000	750,000
Other Intergovernmental Revenues	2,072,691	2,264,522	2,340,740	1,673,370	1,816,530
Other Revenues	7,440,705	7,654,391	6,763,950	7,218,600	6,757,685
Transfers from Other Funds	1,850,031	1,377,016	1,532,000	1,222,000	1,832,590
Use of Fund Balance <sup>3</sup>	-	-	1,296,290	-	500,000
Total General Fund Revenues	70,697,712	71,936,357	72,498,490	72,491,870	72,120,405

<sup>1</sup> Including Public Service Corporation Taxes

<sup>2</sup> Personal Property Tax Relief Act funds – state funds granted to localities to provide Personal Property Tax Relief.

<sup>3</sup> 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 OPERATING AND CAPITAL BUDGET FY 2011  
GENERAL FUND REVENUE ANALYSIS  
SUMMARY CHART**



**ADOPTED OPERATING AND CAPITAL BUDGET FY 2011  
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 FY 2011 budget maintained the real estate tax rate that was set during FY 2010. During the FY 2010 budget process, the City Council increased the real estate tax rate to \$0.68 per \$100 valuation. During FY 2010, the real estate values for taxable property fell significantly – from over \$4.1 billion in taxable value to approximately \$3.5 billion. The increased rate, to a large extent, offset the decrease in value. The “equalized” real estate rate was \$0.65 cents, and the City increased the rate by an additional three cents to help offset declining revenues in other areas and maintain core services.

The FY 2011 forecast is for \$25 million of new construction, and also uses a variable of a 99% collection ratio by the Treasurer’s Office. In addition, the City will grant real estate relief for three programs - land use valuation for agricultural lands, relief for elderly or disabled homeowners, and rehabilitated historic properties. The forecast estimate for these abatements is \$500,000. The total real estate revenue forecast for FY 2011 is **\$23,250,000**.

The City also forecasts a small amount for delinquent recoveries - **\$160,000** total. The amount of delinquent tax payments rose significantly in FY 2010, and this trend is anticipated to continue in FY 2011.

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) was postponed for a year as a cost-savings measure.

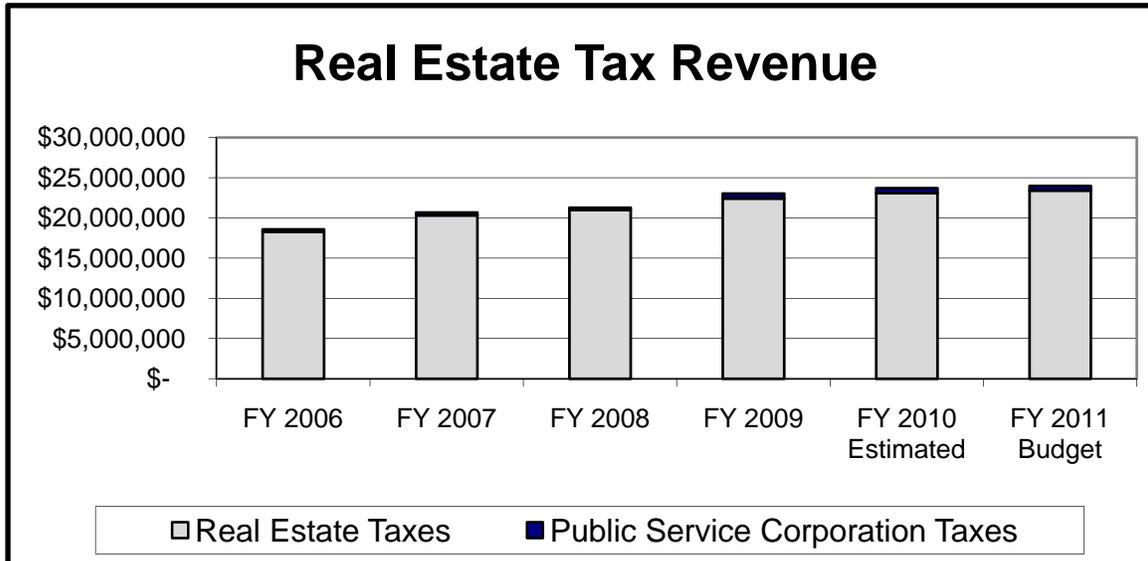
Real Estate Rate	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Per \$100 Valuation	\$0.89	\$0.89	\$0.89	\$0.53	\$0.56	\$0.68	\$0.68
Notes				Re-assessment		Re-assessment	

**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 2011 is for **\$570,000**, which reflects an increase in the forecast from the FY 2010 forecast of \$480,000.

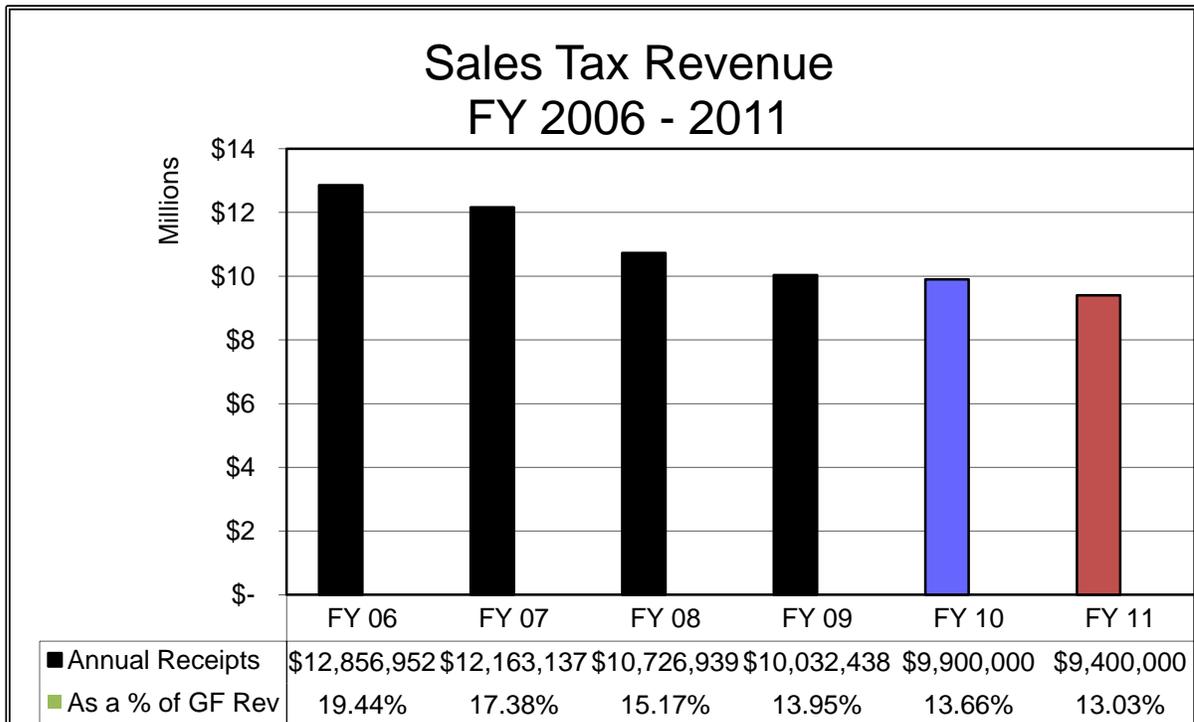


**SALES TAXES**

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 2007, when the City collected \$12.85 million in revenue. Since that year, the City’s sales tax receipts have steadily declined, partly as a result of overall economic conditions, but partly also as a result of increased regional competition.

Sales tax revenues in FY 2010 have been very similar to FY 2009, as the decline in revenues has slowed. The City has been fortunate to have opened some major retail outlets in FY 2010, such as the new Wegman’s supermarket in Celebrate Virginia South. Additional vacancies in the Central Park shopping center will be filled in FY 2011, including the new H.H. Gregg electronics retailer in the old Circuit City storefront. The forecast in FY 2011 of \$9.4 million reflects these positive developments. However, the presence of increased regional competition will prevent the City from returning to the sales tax levels seen in FY 2006-2008 for the foreseeable future.



This chart shows sales tax revenues over the last several years. In FY 2006, the City received \$12,856,952. In FY 2010, the final estimate, pending August receipts is for revenue of \$9,900,000. The FY 2011 forecast is conservatively estimated to be **\$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 under 13% as forecast in the current year.<sup>4</sup>

#### 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 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 tax began in January, 2007, so FY 2007 represents a half-year of the new system.

The estimated revenues in FY 2008 show a bit of an increase from the actual levels in FY 2007, which were down from prior years. The City believes that FY 2007, because of the transition surrounding the new tax streams, was an anomalous year.

Here is a 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

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

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.)

	<b>FY 2007 Actual</b>	<b>FY 2008 Actual</b>	<b>FY 2009 Actual</b>	<b>FY 2010 Estimate</b>	<b>FY 2011 Budget</b>
Cable Franchise	-		-	-	-
Local E911	98,521		-	-	-
Consumer UT	2,036,988	1,527,028	1,517,109	1,650,000	1,650,000
Telecommunications Sales Tax	729,233	2,019,101	1,897,210	1,800,000	1,850,000
<b>Total These Sources</b>	<b>2,864,742</b>	<b>3,546,129</b>	<b>3,414,319</b>	<b>3,450,000</b>	<b>3,500,000</b>

The Telecommunications Sales Tax has declined steadily since peaking in FY 2008. Actual receipts in FY 2009 were significantly lower, and the FY 2010 estimate reflects very poor collections over the summer of 2009. Collections during the remainder of FY 2010 have stabilized somewhat, and the FY 2011 forecast for Telecommunications Sales Taxes totals **\$1,850,000**. The City will monitor this revenue source to see if month-to-month collections remain relatively stable.

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

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 economic recession has affected the values for personal property. During Calendar Year 2009, the personal property base decreased \$28.9 million to \$213.1 million. Calendar Year 2009 collections decreased significantly as a result. In order to bring revenues back to Calendar Year 2008 levels, the City raised the tax rate from \$2.99 to \$3.40 per \$100 for both business and personal property. (The amount of decline for both types of property were similar in the City.)

The City is estimating **\$5,550,000** in personal property collections during Fiscal Year 2011. In addition, the City is estimating **\$120,000** in delinquent personal property tax collections. These amounts do not include the state's personal property tax relief payments, which is \$1.7 million.

Under the state's Personal Property Tax Relief Act, the City will receive a set grant to be used for Personal Property Tax Relief. Under the adjustments recently made to the program, the grant is set, and because the overall values of eligible personal property in the City will grow, the taxpayers will see less relief over time (unless the state increases the grant at some later date). The rate of relief must now be set by the City every year, and is calculated by the Commissioner of the Revenue and approved by the

City Council. In CY 2010, the rate is set at 47%. Personal property used for business purposes and certain types of other personal property (e.g. boats) are not granted relief under the Act.

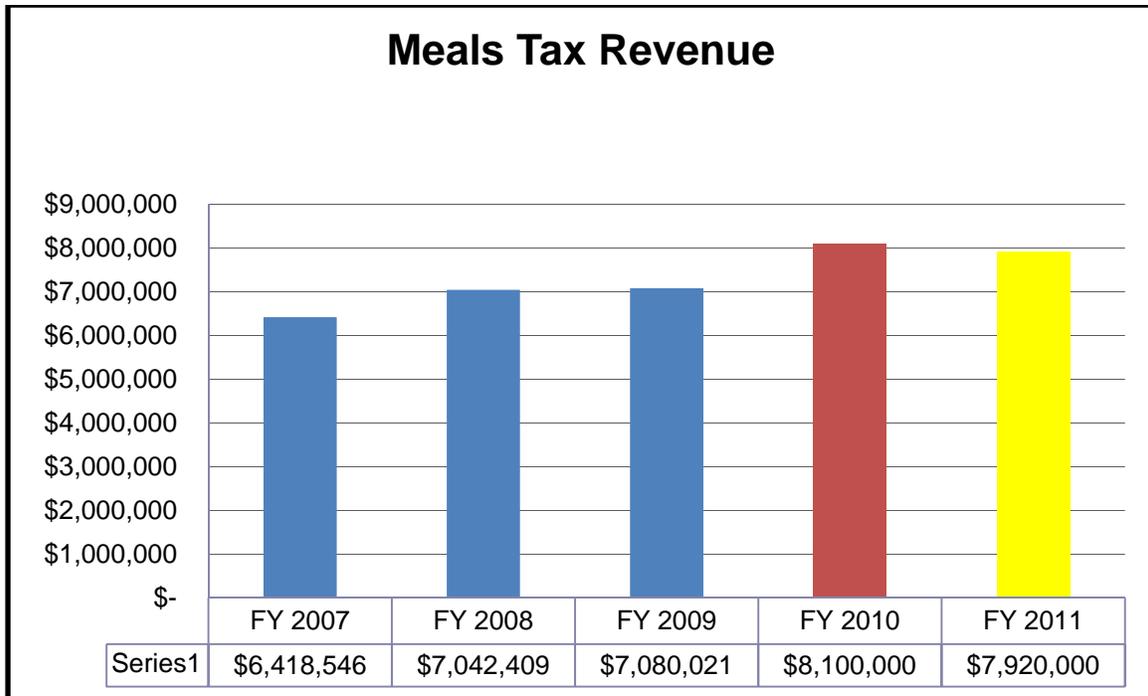
The City also receives Machinery & Tools taxes from industries and businesses located in the City. The Machinery & Tools tax is a property tax on certain classes of business property used for manufacturing, mining, water well drilling, processing and re-processing, radio or television broadcasting, dairy, 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 2011.

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

	<b>FY 2007 Actual</b>	<b>FY 2008 Actual</b>	<b>FY 2009 Actual</b>	<b>FY 2010 Estimate</b>	<b>FY 2011 Budget</b>
Personal Property Taxes	5,576,482	5,639,709	5,424,927	5,691,400	5,670,600
Machinery & Tools	80,241	70,185	77,947	154,300	180,250
PPTRA	1,720,891	1,728,623	1,728,833	1,725,000	1,725,000
<b>Total These Sources</b>	<b>7,377,614</b>	<b>7,438,517</b>	<b>7,231,707</b>	<b>7,570,700</b>	<b>7,575,850</b>

#### 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 FY 2011 budget conservatively estimates collections at **\$7,920,000**.



#### 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. There are a variety of categories of business, so there are exceptions to the rule. This revenue declined significantly between FY 2007 and FY 2008, and the City has anticipated continued declines, as local economic conditions have declined.

However, the City Commissioner of the Revenue and the City Treasurer increased their audit and collection efforts of this tax. The increased efforts by these offices has resulted in increased compliance and increased collections of late and overdue amounts. The business license penalty receipts in FY 2009 shows the increase in the collection activity. This increased oversight results in increased collections. The City continues to conservatively estimate the receipts from this tax, which ultimately depend on the health of the local business community. The FY 2011 forecast is for **\$5,050,000**.

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Estimated	FY 2011 Budget
Business License	5,748,953	5,384,256	5,688,778	5,774,000	5,050,000
Business License Penalties	12,255	14,613	121,267	40,000	10,000

#### 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 maintained a lower level, consistent with revenue performance in FY 2008 and FY 2009. The FY 2011 forecast is **\$495,000**.

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Estimated	FY 2011 Budget
Bank Franchise Tax	567,273	459,020	469,004	750,000	495,000

#### 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. The budget forecast for FY 2011 reflects the increased revenue level from the FY 2010 tax rate increase. The forecast for FY 2011 is **\$1,650,000**.

The City no longer receives Consumer Utility Tax on telephone services, as a result of the reforms effective in FY 2007 that substituted the telecommunications sales tax for the CUT on telephone service. The Consumer Utility Tax underwent a major overhaul in FY 2007, as the telecommunications taxes will be removed after January 1, 2007, in favor of the statewide telecommunications sales taxes.

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Estimate	FY 2011 Budget
Consumer Utility Taxes	2,036,988	1,527,028	1,517,109	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. The City budget forecast for FY 2011 is for **\$500,000**, which is a level that is reduced from FY 2007 and FY 2008, but would represent an increase in activity over the last two fiscal years.

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Estimate	FY 2011 Budget
Recordation Tax	818,353	715,884	460,084	390,000	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. The state has added funding for several additional positions for the City’s constitutional officers over the past couple of years, including three additional Sheriff deputies during FY 2008.

The budget of the Commonwealth has been affected by the recent economic downturn, and the state has been reducing its funding for many programs that aid the City, beginning in the middle of FY 2008, and continuing into FY 2009. The City absorbed a 5% reduction in the “HB 599” funds during FY 2008, and the reduction was extended into FY 2009 as part of a broader reduction initiative to reduce state aid to localities by \$50 million for FY 2009 and FY 2010. The state also eliminated the City’s share of ABC and Wine taxes beginning in FY 2009, in an effort to expand state-wide mental health services. This will cost the City approximately \$22,000 per year going forward. However, the Commonwealth’s support of FRED Transit, street maintenance, education, and Personal Property Tax relief has, generally speaking, not been reduced significantly so far. This may change if the current slowdown deepens and continues into the upcoming two-year state budget cycle.

One unusual factor in the City budget for FY 2009 concerning Intergovernmental revenues concerns the agreement between the City and the state for debt service repayments on Cowan Boulevard. The City and the Virginia Department of Transportation agreement concerning the state repayment of City debt for Cowan Boulevard will allow the City to begin collecting payments from the state beginning in FY 2009. A payment was made in FY 2009. However, the state in FY 2010 eliminated funding for the debt service agreement due to state budgetary issues. In FY 2011, the state restored funding in the six-year plan, scheduled for FY 2013.

<b>Major Intergovernmental Sources</b>	<b>FY 2007 Actual</b>	<b>FY 2008 Actual</b>	<b>FY 2009 Actual</b>	<b>FY 2010 Estimate</b>	<b>FY 2011 Budget</b>
Street Maintenance	1,894,842	2,104,006	2,182,155	2,179,000	2,120,000
Law Enforcement Assistance (HB 599)	921,408	925,632	852,213	778,000	750,000
Constitutional Officers & Registrar	1,526,815	1,784,665	1,588,338	1,480,000	1,495,000

*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 in FY 2010 and FY 2011, which shows the impact to the various programs of these cuts.

<b>City Program</b>	<b>FY 2010 Cut</b>	<b>FY 2011 Cut</b>	<b>Comments</b>
Voter Registrar	2,105	2,094	
Sheriff	18,566	23,292	Constitutional Officer
Commissioner of the Revenue	3,221	3,091	Constitutional Officer
Commonwealth Attorney	19,741	25,365	Constitutional Officer
Circuit Court Clerk	6,365	10,214	Constitutional Officer
Treasurer	2,168	1,464	Constitutional Officer

City Program	FY 2010 Cut	FY 2011 Cut	Comments
Regional Library	3,736	3,269	State aid for libraries; not included in City budget
Rolling Stock Taxes	294	477	
Grantor's Tax	5,664	3,996	
CSA	30,270	67,650	Reduction in state revenue to the CSA Fund; programs are still mandatory
Community Corrections	37,813	52,497	Drug court and Chaplin Center – City is fiscal agent only
HB 599	38,119	44,110	State aid to the City Police Department
Total Reductions	167,539	237,519	

#### LODGING TAX

The City lodging tax rate, at 6%, remains unchanged in FY 2011. 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. The City is conservatively forecasting revenue for FY 2011 of **\$1,050,000**.

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Estimated	FY 2011 Budget
Lodging Tax	860,935	918,952	1,050,586	1,080,000	1,050,000

#### 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, over the last couple of years the City has seen a decrease in collections. In addition, in April 2009 the federal government increased the federal per pack excise tax on cigarettes by \$1.066 per pack, which should decrease the amount of cigarettes sold in the City. As a result of these trends, the City lowered its estimate for revenue from this source to \$500,000 in FY 2010. The FY 2011 forecast maintains a revenue level of **\$500,000**.

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Estimated	FY 2011 Budget
Tobacco Tax	612,462	593,940	530,216	510,000	500,000

#### ADMISSIONS TAX

The City imposes a tax on admissions to amusements and events. One of the tax increases adopted in conjunction with the FY 2007 budget was an increase in this rate from 4% to 5% of the admissions rate. This revenue increased significantly in FY 2008, and the unaudited collections at the end of FY 2009 continued this trend. Unfortunately, the City is very vulnerable to a downturn in this revenue due to regional economic competition. The new Spotsylvania Towne Center, which is in Spotsylvania County

directly across State Route 3 from the City’s Central Park, includes plans for a new multiplex theater. This theater was originally scheduled for opening during FY 2009, but the construction was delayed. The theater has now opened, and it competes directly with the movie theater complex located in Central Park in the City. The forecast in FY 2011 for **\$180,000** reflects a reduced level of revenue in recognition of the increased competition.

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Estimated	FY 2011 Budget
Admissions Tax	269,517	288,477	335,918	310,000	180,000

In addition, the City also raised the admissions tax rate to 6%, effective July 1, 2010 (FY 2011). This action is part of the economic development deal the City did to attract the Kalahari Resort, which is a hotel and condominium and water park development that will be located in Celebrate Virginia South west of Interstate 95 and north of State Route 3 and the Central Park shopping center.

**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.

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Estimated	FY 2011 Budget
EMS Fees	-	287,570	651,257	620,000	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). The FY 2011 forecast remains set at **\$90,000**.

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Estimated	FY 2011 Budget
Public R-O-W Use Fee	-	56,520	84,300	90,000	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. These projects are now complete, and the forecast for FY 2011 for permit fees is conservatively estimated at **\$616,450**.

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Estimated	FY 2011 Budget
Building Permit Fees	513,584	428,718	531,500	615,000	450,000
Site Plan Review Fees	104,661	97,668	73,673	78,000	65,000
Other Fees	135,417	127,068	112,177	85,075	101,450
Total	753,662	653,454	717,350	778,075	616,450

## SOLID WASTE FEES

The City raised the solid waste fee 5% for FY 2009; which was the first time the City had raised this fee since FY 2007. The City did not raise the fee in either FY 2010 or FY 2011. 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 2011 is **\$724,500**.

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Estimated	FY 2011 Budget
Solid Waste Fees	680,190	685,738	718,968	700,000	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 2011 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 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Estimated	FY 2011 Budget
Recreation Fees	533,510	458,392	457,468	350,000	350,000
Marina Fees – Motts Run	55,392	58,638	30,203	24,000	20,000

#### TRANSFERS FROM OTHER FUNDS

The City in FY 2011 made use of the following transfers from other funds in the General Fund:

- ❖ \$325,000 from the Water Fund – for overhead
- ❖ \$350,000 from the Wastewater Fund – for overhead
- ❖ \$85,400 from the School Operating Fund – prior agreement concerning early retirement benefits for teachers
- ❖ \$472,190 from the Capital Funds (debt service for Riverfront Park and the replacement James Monroe High School)
- ❖ \$600,000 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 2011 budget, the City budgeted \$500,000 in undesignated unreserved fund balance. The City released the designations on the Regional Security Center and the School Debt Service at the close of FY 2010, and any balance remaining in those two designations will revert to the undesignated unreserved fund balance. The \$500,000 was equivalent to the General Fund Contingency in the Manager’s Recommended Budget, although as a result of changes made during City Council review the Contingency in the Adopted Operating Budget ended up being slightly higher (\$571,526).

A separate section of the budget document details the fund balance usage in the General Fund over time.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2011  
SOCIAL SERVICES FUND REVENUE ANALYSIS  
SUMMARY TABLE**

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Budget	FY 2011 Budget
Local Income	300	105	1,442	-	-
Revenue from the Commonwealth	1,288,705	1,315,962	1,484,878	1,505,122	1,581,550
Revenue from the Federal Government	2,222,432	2,093,224	2,079,346	1,909,063	2,583,740
Transfer from Other Funds	754,740	805,544	933,022	822,330	823,000
Insurance Recovery	-	-	-	-	-
Fund Balance	-	-	-	-	-
<b>Total</b>	<b>4,266,177</b>	<b>4,214,835</b>	<b>4,498,688</b>	<b>4,236,515</b>	<b>4,988,290</b>

**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. During FY 2009, the Social Services Operating Fund also received transfers from the Comprehensive Services Act Operating Fund for the support of operations.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2011  
SCHOOL OPERATING FUND – REVENUE ANALYSIS  
SUMMARY TABLE**

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Original Budget	FY 2011 Budget
Local School Income	379,248	426,838	332,976	271,400	265,000
Revenue from the Commonwealth	6,735,289	6,944,509	6,578,327	6,475,955	6,673,703
Revenue from the Federal Government	552,745	565,271	551,188	940,465	550,000
Transfer from the General Fund	20,998,816	23,728,000	24,728,000	24,028,000	24,028,000
Fund Balance	-	-	-	375,000	250,000
<b>Total</b>	<b>28,666,098</b>	<b>31,664,618</b>	<b>32,190,491</b>	<b>32,090,820</b>	<b>31,766,703</b>

**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**

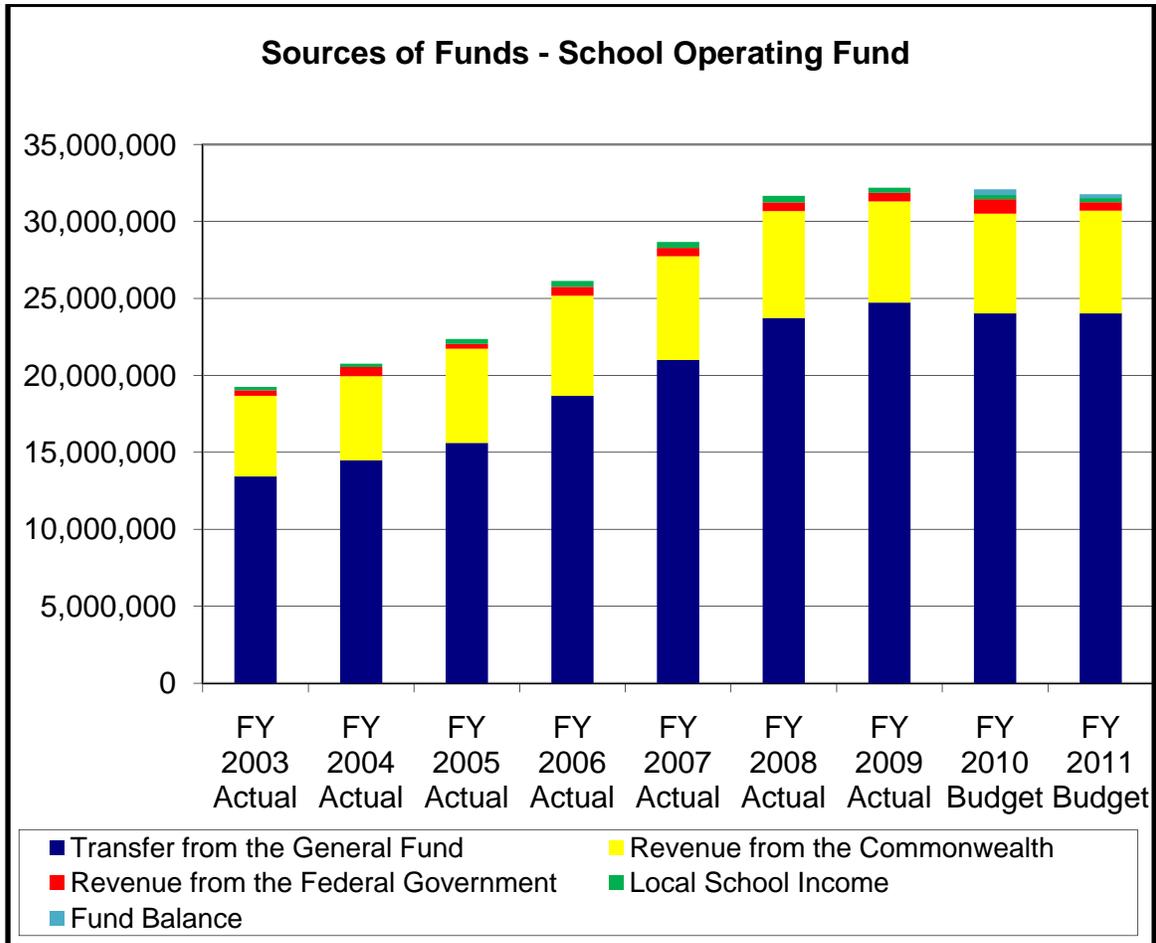
The Commonwealth of Virginia shares resources for education with local school districts based upon complex formulas involving measures of ability to pay, school enrollment, overall population, and funding availability. These funds are based upon local and state forecasts of school enrollment and, for 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 2011, the local transfer constitutes 75.64% of the revenues for the School Operating Fund. State support for City schools, the second largest source of revenue, stands at 21.01%.

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 \$3.5 million in FY 2011 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 OPERATING AND CAPITAL BUDGET FY 2011  
SCHOOL OPERATING FUND  
GRAPH**



**ADOPTED OPERATING AND CAPITAL BUDGET FY 2011  
CITY GRANTS FUND REVENUE ANALYSIS  
SUMMARY TABLE**

	FY 2008 Actual	FY 2009 Actual	FY 2010 Original Budget	FY 2010 Amended Budget	FY 2011 Adopted Budget
Local Income	358,858	162,227	252,030	280,950	221,030
Revenue from Other Localities	401,400	302,208	386,400	386,400	356,400
Revenue from the Commonwealth	162,390	259,454	256,978	278,878	137,237
CDBG Funds	304,602	202,849	292,212	292,212	231,856
Revenue from the Federal Government	352,841	293,638	246,718	361,076	107,039
Interfund Transfers	443,429	451,915	364,489	382,896	287,363
Fund Balance	-	-	10,000	390,744	-
<b>Total</b>	<b>2,023,520</b>	<b>1,672,291</b>	<b>1,808,827</b>	<b>2,373,156</b>	<b>1,340,925</b>

**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 2010.

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, Starfires Drill Team, and First (now Finally) Fridays. Revenues for these items are based upon historical attendance and donation trends. After the budget was adopted for FY 2011, the City eliminated the Finally Friday program because of poor attendance. Adjustments will take place in the FY 2012 budget reflecting reduced local activity in the City Grants Fund, in accordance with this decision.

**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.

#### 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.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2011  
WATER FUND REVENUE ANALYSIS  
SUMMARY TABLE**

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Budget	FY 2011 Budget
Water Sales	2,001,759	2,075,242	2,104,372	2,318,000	2,357,815
Other Income – Water	1,297,524	928,213	771,529	513,600	448,600
Fund Balance	-			700,000	640,000
<b>Total</b>	<b>3,299,283</b>	<b>3,003,455</b>	<b>2,875,901</b>	<b>3,531,600</b>	<b>3,446,415</b>

**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 raised water rates by 2% in the FY 2010 budget. Rates were not increased in conjunction with the FY 2011 budget; however, the City will need to consider additional rate increases to maintain pace with increased costs of treated water from Spotsylvania County, other operating costs, and increased debt service related to capital projects in the Water Fund.

**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 OPERATING AND CAPITAL BUDGET FY 2011  
WASTEWATER FUND REVENUE ANALYSIS  
SUMMARY TABLE**

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Budget	FY 2011 Budget
Wastewater Sales	3,159,570	3,251,553	3,432,452	3,885,000	3,925,000
Other Income – Wastewater	1,058,320	821,955	1,052,966	692,000	692,000
Fund Balance	-	-	-	1,473,802	1,670,967
<b>Total</b>	<b>4,217,890</b>	<b>4,073,508</b>	<b>4,485,418</b>	<b>6,050,802</b>	<b>6,287,967</b>

**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. However, declining economic activity in the community has depressed revenues in both the Water and the Wastewater funds. No increase was adopted at the beginning of FY 2011. The City will need to evaluate a future rate increase to offset debt service costs for the major capital projects that have taken place to improve wastewater facilities during the last two years. Notable capital projects include renovations to the Wastewater Treatment Plant and replacement of several major sewer interceptors – Smith Run, City Dock, Hazel Run, and Kenmore Avenue.

**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 OPERATING AND CAPITAL BUDGET FY 2011  
TRANSIT FUND REVENUE ANALYSIS  
SUMMARY TABLE**

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Budget	FY 2011 Budget
Fares	54,963	116,662	159,741	255,000	275,848
Revenue from the Federal Government	3,467,707	4,499,810	1,559,865	1,909,530	1,828,646
Revenue from the Commonwealth	684,865	1,162,031	614,547	401,202	421,052
Local Revenues (including partnerships & other governments)	881,448	1,648,366	2,622,148	1,818,128	1,694,347
Fund Balance	-	-	-	525,000	525,000
<b>Total</b>	<b>5,088,983</b>	<b>7,426,869</b>	<b>4,956,301</b>	<b>4,908,860</b>	<b>4,744,943</b>

**FARES**

The fares for the Transit system are set at \$0.50 per ride on most trips; however, fares are higher on some of the new demonstration routes. Fares were increased beginning in July, 2009 from \$0.25 to the current \$0.50 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 OPERATING AND CAPITAL BUDGET FY 2011  
PARKING FUND REVENUE ANALYSIS  
SUMMARY TABLE**

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Estimated	FY 2011 Adopted
Parking Garage Fees	83,520	106,916	130,281	185,000	162,650
Motor Fuels Tax	284,544	321,975	321,777	321,058	320,386
Other Revenues	94,256	70,010	43,894	25,000	10,000
Transfer from General Fund	43,373	30,000	-	-	-
Contributed Capital	-	-	-	-	-
Transfer from Capital	-	-	-	-	-
Fund Balance	-	-	-	-	150,000
<b>Total</b>	<b>505,693</b>	<b>528,901</b>	<b>495,952</b>	<b>531,058</b>	<b>643,036</b>

**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 in FY 2010, and the budget forecast for FY 2011 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 2011, 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 2011.

**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 OPERATING AND CAPITAL BUDGET FY 2011  
 COMPREHENSIVE SERVICES ACT FUND REVENUE ANALYSIS  
 SUMMARY TABLE**

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Budget	FY 2011 Budget
Revenue from the Commonwealth	706,288	775,788	697,604	746,650	687,270
Transfer from Other Funds	-	-	-	-	-
Transfer from the General Fund	681,491	749,835	769,427	665,550	563,240
Fund Balance	-	-	-	-	-
<b>Total</b>	<b>1,387,779</b>	<b>1,525,623</b>	<b>1,467,031</b>	<b>1,412,200</b>	<b>1,250,510</b>

**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 \$67,650 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.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2011  
MOTOR FUELS TAXES REVENUE ANALYSIS  
SUMMARY TABLE**

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Estimated	FY 2011 Projected <sup>5</sup>
Motor Fuels Taxes	1,545,970	1,607,800	1,341,567	1,343,412	1,105,185
Interest Allocated to City	290,001	218,256	88,354	15,881	10,000
<b>Total</b>	<b>1,835,971</b>	<b>1,826,056</b>	<b>1,429,921</b>	<b>1,359,293</b>	<b>1,115,185</b>

**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 2011.

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.

<sup>5</sup> Gasoline tax projection from the PRTC; interest earnings estimated by staff.

<b>Use of Motor Fuels Tax Revenues FY 2011</b>	
FRED Operating Subsidy (Transit Fund)	454,224
Parking Garage Debt Service (Parking Fund)	320,386
Public Works Traffic – Pedestrian & Bike Markings (General)	20,000
VRE Operating Subsidy (Held at PRTC)	405,980
PRTC Operating Subsidy (Held at PRTC)	21,300
School Bus Purchase (Public Schools Capital Fund)	80,000
Public Works Traffic Signal Maintenance (General Fund)	100,000
Train Station Maintenance (Regional Transportation Fund)	50,000
Stafford Regional Airport Operations (General Fund)	28,000
Annual Paving Program (Public Works Capital Fund)	80,000
Revenue Sharing FY 2011 Project – Pedestrian Improvements (Public Works Capital Fund)	55,500
<b>Total</b>	<b>1,615,390</b>

<b>Fund Balance Analysis – Motor Fuels Tax FY 2011</b>	
Projected End FY 2010 Unencumbered Fund Balance	1,318,639
Projected Use of Motor Fuels Tax During the Year	1,615,390
Projected Motor Fuels Tax Revenues	1,115,185
Projected Revenues less Projected Expenditures	(364,705)
<b>Projected End FY 2011 Fund Balance</b>	<b>818,434</b>

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2011  
SCHOOL GRANTS FUND REVENUE ANALYSIS  
SUMMARY TABLES**

	FY 2007 Actual	FY 2008 Actual	FY 2009 Actual	FY 2010 Amended Budget	FY 2011 Budget
Local School Revenues	804,054	619,132	679,518	661,510	492,684
Revenue from the Commonwealth	418,351	449,495	527,452	673,750	447,750
Revenue from the Federal Government	3,665,484	2,837,055	2,881,036	4,587,304	3,471,943
Transfer from the General Fund	164,943	230,000	230,000	195,500	195,500
Fund Balance	-			148,572	
<b>Total</b>	<b>5,052,832</b>	<b>4,135,682</b>	<b>4,318,006</b>	<b>6,266,636</b>	<b>4,607,877</b>

**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.

**TRANSFER FROM GENERAL FUND**

The Head Start Program of the City began requesting City financial support, beginning in FY 2007. This request was made as a result of reduced federal funding. The Head Start program, which encompasses pre-school children from both the City and King George County, is housed in the City's Old Walker-Grant Middle School. The City Council agreed to provide \$195,500 in FY 2011 for this program, which is transferred from the General Fund.