

Adopted Operating and Capital Budget FY 2010

Revenue Analysis

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**ADOPTED OPERATING AND CAPITAL BUDGET FY 2010
GENERAL FUND REVENUE
SUMMARY TABLE**

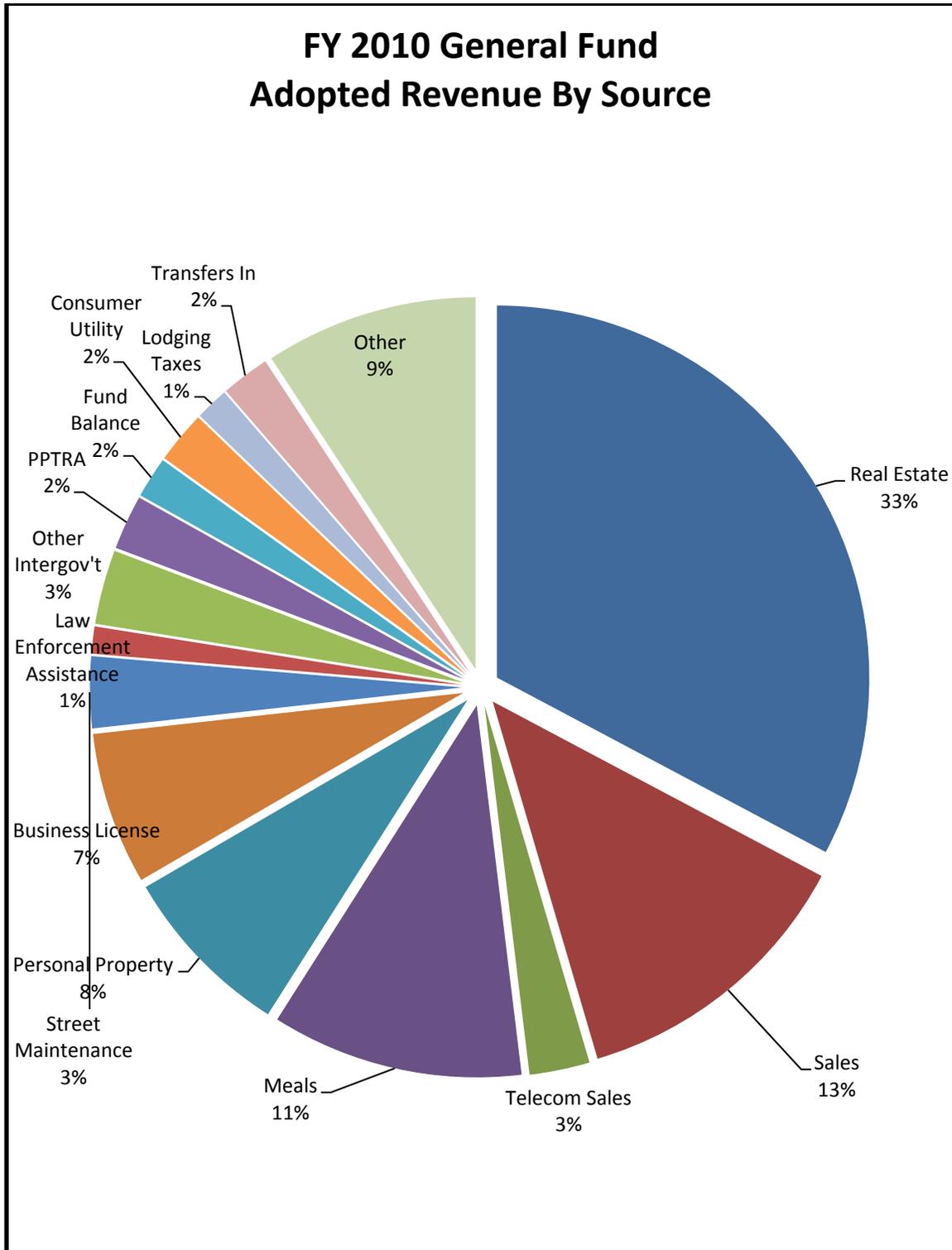
	FY 2007 Actual	FY 2008 Actual	FY 2009 Amended Budget	FY 2009 Estimate	FY 2010 Adopted Budget
Real Estate ¹	20,688,084	21,265,520	22,885,000	23,027,762	23,755,000
Personal Property	5,224,538	5,709,894	5,523,050	5,503,837	5,523,050
Sales Tax	12,163,136	10,726,939	10,800,000	10,032,438	9,200,000
Telecommunications Sales Tax	729,233	2,019,101	1,950,000	1,897,210	1,900,000
Meals Tax	6,418,546	7,042,409	7,100,000	7,080,021	7,920,000
Business License Tax	5,777,347	5,436,366	5,422,000	5,847,143	4,800,000
Consumer Utility Tax	2,036,988	1,527,028	1,500,000	1,517,109	1,650,000
PPTRA ² Funds	1,720,891	1,728,623	1,725,000	1,728,833	1,725,000
Lodging Taxes	860,935	918,952	1,100,000	1,050,586	1,050,000
Street Maintenance Assistance	1,894,842	2,104,006	2,150,000	2,182,155	2,250,000
State Law Enforcement Assistance	921,408	925,632	889,465	852,213	852,710
Other Intergovernmental Revenues	1,630,678	2,072,691	2,407,132	2,358,694	2,340,740
Transfers from Other Funds	2,111,081	1,850,031	1,377,016	1,377,016	1,532,000
Use of Fund Balance ³	-	-	3,407,624	-	1,296,290
Other Revenues	7,800,649	7,370,520	7,989,487	7,465,687	6,703,700
Total General Fund Revenues	69,978,356	70,697,712	76,225,774	71,920,704	72,498,490

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 OPERATING AND CAPITAL BUDGET FY 2010
GENERAL FUND REVENUE
SUMMARY CHART**



**ADOPTED OPERATING AND CAPITAL BUDGET FY 2010
GENERAL FUND REVENUE
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 City of Fredericksburg assesses property on a fiscal year basis, with new property assessments effective July 1. The City underwent an assessment cycle during the previous year, with the new values effective July 1, 2009. The recent re-assessment reflected the national decline in real estate values – particularly residential real estate. The total value of taxable real estate in the City decreased 14.6%, from approximately \$4.1 billion in July 2008 to \$3.5 billion on July 1, 2009 – a decrease in value of \$600 million.

If the City had maintained the FY 2009 tax rate (\$0.56 per \$100), real estate tax revenue would have decreased by \$3.36 million, which would have extremely difficult given the other revenue losses in the City. As a result of the assessment, and the need to make up other lost revenue and decrease the use of fund balance in the budget, the real estate tax rate was increased to \$0.68 per \$100 valuation. However, it is important to bear in mind that adjustments to the real estate values will continue through the Board of Equalization process, which will begin in September 2009 and should finish in December.

The total real estate revenue forecast for FY 2010 is \$23,150,000. In developing the forecast, the City uses a collection percentage of 99%, and factors in tax credit programs for the elderly and disabled, agricultural land use, and historic rehabilitation. The City also forecasts a small amount for delinquent recoveries and deferred payments - \$120,000 total.

After the 2009 re-assessment, each penny on the real estate tax rate yields approximately \$340,000 in revenue, after factoring in collection ratios and tax credit programs. This is the City’s largest single source of General Fund revenue, at 30% of the total General Fund. The percentage of the real estate tax as a share of the General Fund revenue has been rising as other revenues, most notably sales tax, have fallen in the last several years.

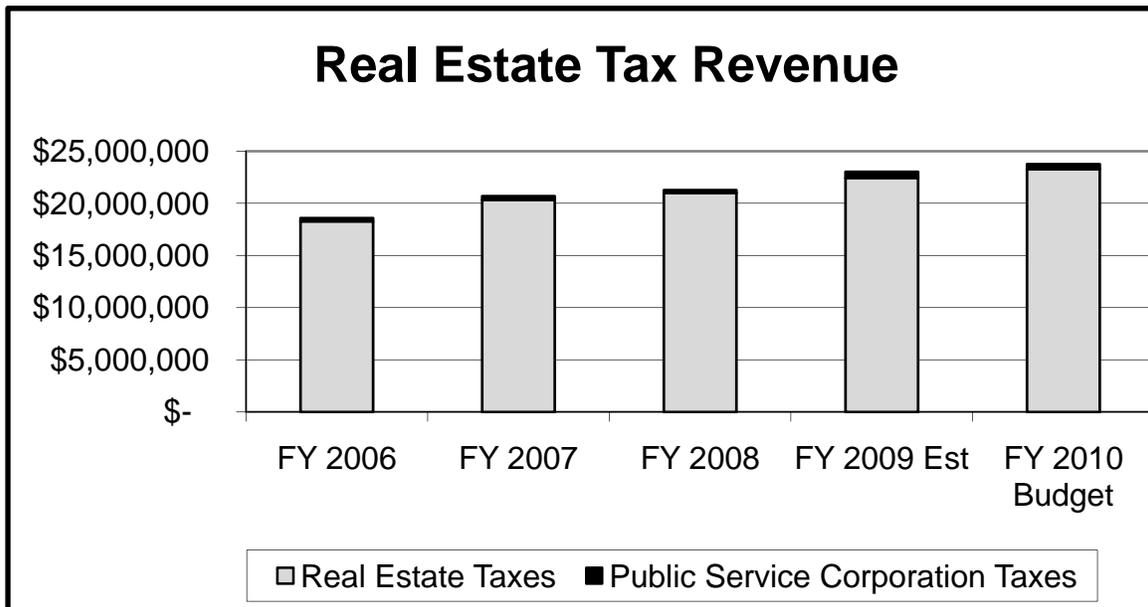
The following table shows the City’s recent past for real estate tax rates per \$100 in real estate value. In the table, FY 2008 and FY 2010 constitute re-assessment years, which accounts for most of the variation in the tax rate from the prior year. The City switched from a four-year cycle to a two-year cycle at the time of the assessment done for FY 2008.

Real Estate Rate	FY 2005	FY 2006	FY 2007	<u>FY 2008</u>	FY 2009	<u>FY 2010</u>
Per \$100 Valuation	\$0.89	\$0.89	\$0.89	\$0.53	\$0.56	\$0.68

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 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. In addition to the real estate, there is also a limited amount of business personal property owned by the Public Service Corporations that is taxed by the City, based upon personal property values provided by the state.

The City does not receive values for public service corporations until August or September, for values that are effective on a calendar year basis (January 1). The new values may vary considerably from year to year. The forecast for FY 2010 is \$480,000, which is the same as the forecast for FY 2009.

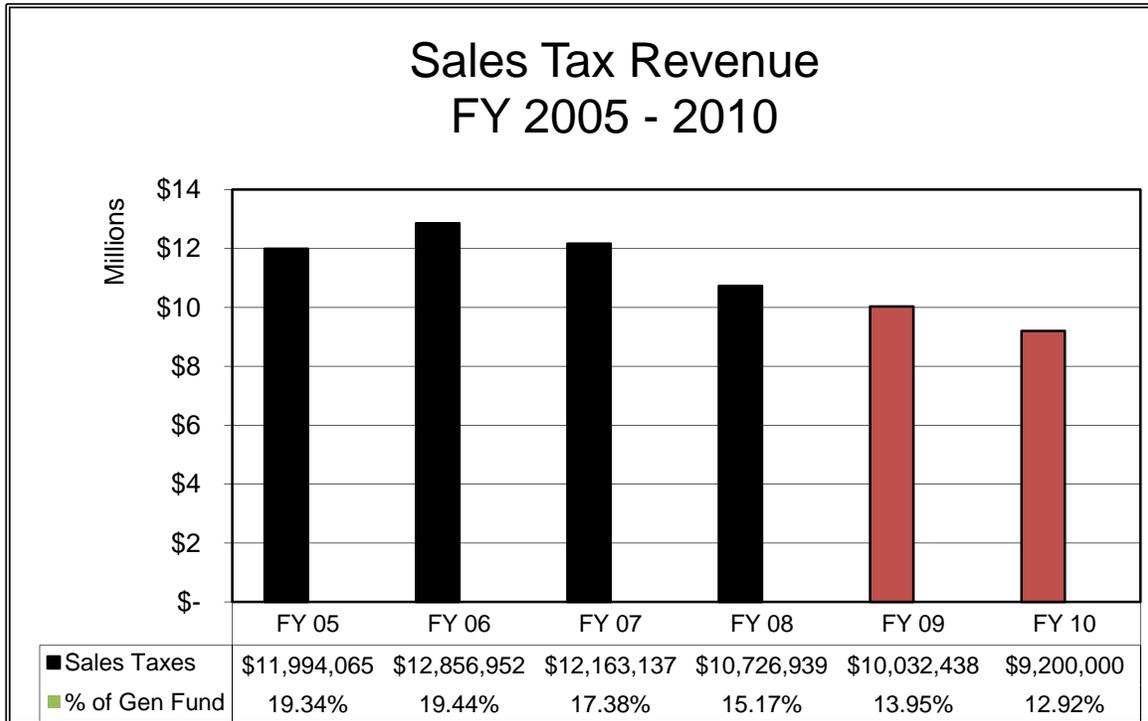


SALES TAXES

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 from sales in the City are given to the City, those made at businesses in Spotsylvania County are given to Spotsylvania County, and so on. Sales tax revenues in the City have been impacted by the overall decline in sales activity because of the recession, and have also been impacted by increased numbers of new retail stores in other jurisdictions.

In FY 2006, the City's sales tax revenues peaked at \$12.86 million. Since that year, sales tax revenues have declined significantly. In FY 2009, the City budgeted sales tax revenue of \$10.8 million. However, the current estimate for sales tax revenue received during FY 2009 totals only \$10.03 million, as the economic recession combined with regional competition to lower tax receipts. The FY 2010 forecast is for revenue of

\$9.2 million, which reflects continued weakness in this revenue source. Several City businesses have closed as a result of the national economic recession, and others have seen declining retail sales as consumers have decreased their overall spending and increased their savings. Additional retail competition, including the continued redevelopment of Spotsylvania Towne Center in Spotsylvania County, will place additional pressure on the sales tax and other similar revenues.



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 a forecasted share of under 13% for FY 2010.⁴

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 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.

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, but the tax on telephone services will no longer be collected. Cable Franchise Fees

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

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 2010.)

In FY 2010, the City raised the rate by \$1 per month on the Consumer Utility Tax for electricity and natural gas. The Telecommunications Sales Tax, however, has been declining throughout the year in FY 2009, compared to FY 2008. The state has also been deducting administrative costs directly from the receipts, which they had been absorbing when the tax was first implemented. The City has lowered the revenue forecast for the Telecommunications Sales Tax as a result of declining revenues from this source.

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimate	FY 2010 Budget
Cable Franchise	291,380	-	-	-	-
Local E911	215,804	98,521	-	-	-
Consumer UT	2,910,053	2,036,988	1,527,028	1,517,109	1,650,000
Telecommunications Sales Tax	-	729,233	2,019,101	1,897,210	1,900,000
Total These Sources	3,417,237	2,864,742	3,546,129	3,414,319	3,550,000

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. The tax rate is set at \$2.99 per \$100 of valuation, and taxes are billed twice per year. The values are set on a calendar year basis, effective January 1 of the year.

The City's personal property tax base has suffered a loss of \$28.9 million in calendar year 2009, from \$242 million to \$213 million. This is as a result of a decline in personal vehicle values, plus declines in the level of business personal property. The rate necessary to offset the decline in revenue is \$3.40 per \$100 of valuation. The City Council will have to act to adopt this rate prior to January 1, 2010, in order to offset the revenue lost beginning with the billing in the spring of 2010. The revenue estimates for the autumn 2009 billing reflect the lost value of property in the City.

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 spring, and is calculated by the Commissioner of the Revenue and approved by the City Council. For calendar year 2009, the rate is set at 57%. Personal property used for

business purposes and certain types of other personal property (e.g. boats) are not granted relief under the Act.

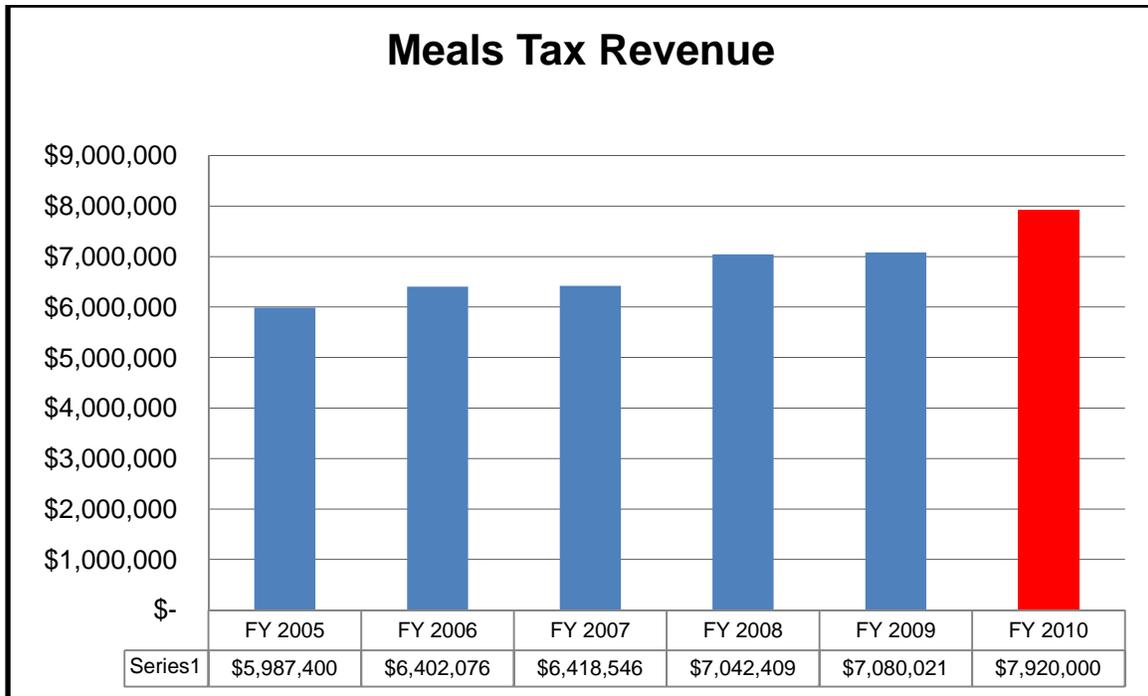
The City also receives Machinery & Tools taxes from industries and businesses located in the City. The Machinery & Tools tax is a property tax on certain classes of business property used for manufacturing, mining, water well drilling, processing and re-processing, radio or television broadcasting, dairy, and laundry or dry cleaning. This property is assessed separately from regular business personal property under state law. The City's receipts for the Machinery & Tools taxes have been declining in recent years due to depreciation of the existing equipment and declining economic conditions.

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimate	FY 2010 Budget
Personal Property Taxes	4,225,404	5,576,482	5,639,709	5,424,926	5,462,800
Machinery & Tools	98,054	80,241	70,185	77,948	60,250
PPTRA	1,832,752	1,720,891	1,728,623	1,728,833	1,725,000
Total These Sources	6,156,210	7,377,614	7,438,517	7,231,707	7,248,050

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 had not increased the rate for FY 2009, but had raised it from 4.5% to 5% for FY 2008 (effective July of 2007).

In addition, the City also capped the discount for restaurants and businesses that file monthly returns in a timely fashion. Rather than 3% of the total filing, it is 3% up to a monthly maximum of \$100. The change was made during the May 2009 in order to raise additional revenues both during FY 2009 and FY 2010. Based on historical returns, the meals tax revenues may increase by \$70,000 during the course of FY 2010.



BUSINESS LICENSE TAX

The City has lowered its forecast for business license taxes, also known as BPOL taxes, for FY 2010. The following table shows business license tax collections over the prior several years:

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimated	FY 2010 Budget
Business License	5,868,813	5,748,953	5,384,256	5,688,778	4,760,000
Business License Penalties	14,778	12,255	14,613	121,267	10,000

In FY 2009, the total amount of business license taxes collected increased over the level from FY 2008, in spite of the economic downturn. This was due in large part to an increased effort at collections, as seen in the revenue for business license tax penalties in FY 2009. However, the surge in collections from previously owed taxes is something of an aberration, and is not sustainable for FY 2010. The forecast for revenue from this source has been lowered for FY 2010 based on the underlying economic trends in the City.

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.)

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 the lowered level in the FY 2010 budget.

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimated	FY 2010 Budget
Bank Franchise Tax	546,953	567,273	459,020	469,000	470,000

CONSUMER UTILITY TAX

The Consumer Utility Tax, which before 2007 was also charged to telecommunications providers, is now charged as a monthly add-on to utility bills for electricity and natural gas customers in the City. Charges are based upon usage and by class (e.g. residential, commercial, or industrial). The rate for all classes went up by \$1 per month. Most residential customers were paying \$2 per month for electricity and \$1 per month for natural gas, and their rates would go up by \$1. The actual tax for commercial and industrial customers varies with usage, but their rate would go up by \$1 per month as well.

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimate	FY 2010 Budget
Consumer Utility Taxes	2,910,053	2,036,988	1,527,028	1,517,109	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. The City has seen a major revenue decline from this source in FY 2009, and the forecast for FY 2010 has been lowered as a result.

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimate	FY 2010 Budget
Recordation Tax	947,280	818,353	715,884	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. 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 state's Compensation Board budgets for FY 2010 showed small increases for the support of the Constitutional Officers. However, the City did not increase the revenue forecasts for state-shared revenue for Constitutional Officers, in anticipation that if the recession continued, the state may have to adjust its budget downward and reduce their support. As of the late summer and the fall of 2009, it does appear likely that the state will have to reduce its support, although the extent of this reduction is unknown.

The City did add lane mileage to the total for the City during FY 2009, which led to a forecasted increase in the Street Maintenance revenue for FY 2010.

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimate	FY 2010 Budget
Street Maintenance	1,823,381	1,894,842	2,104,006	2,182,255	2,250,000
Law Enforcement Assistance (HB 599)	813,916	921,408	925,632	852,213	852,710
Constitutional Officers & Registrar	1,359,659	1,526,815	1,778,665	1,682,510	1,693,075
Cowan Blvd. Debt Service from VDOT	-	-	-	437,332	438,165
Other	229,873	103,863	294,526	238,752	209,500
Total	4,226,829	4,446,928	5,102,829	5,393,062	5,443,450

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. 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. Here is a simplified table for the reductions in state support in FY 2009 and FY 2010.

City Program	FY 2009 Cut	FY 2010 Cut	Comments
Voter Registrar	2,105	2,078	
Sheriff	18,812	18,566	
Commissioner of the Revenue	3,264	3,221	
Commonwealth Attorney	20,003	19,741	
Circuit Court Clerk	6,450	6,365	
Treasurer	2,198	2,168	
Regional Library	3,785	3,736	State aid for libraries; not included in City budget
Rolling Stock Taxes	298	294	Reduces state revenue to the General Fund
Grantor's Tax	5,739	5,664	Reduces state revenue to the General Fund
CSA	28,992	30,270	Reduction in state revenue to the CSA Fund; programs are still mandatory
Community Corrections	37,813	37,317	Drug court and Chaplin Center – City is fiscal agent only
HB 599	38,625	38,119	State aid to the City Police Department
Total Reductions	168,084	167,539	

LODGING TAX

In FY 2009, the City enjoyed the benefit of a full year of two new hotels that opened for business during the course of FY 2008: the Hampton Inn and the Homewood Suites, both of which are located in Celebrate Virginia South next to the Hilton Garden Inn, which opened during FY 2007. In addition, the City raised the rate from 5.5% to 6%. City Council undertook this action to raise additional revenue, as well as comply with the terms and conditions of an economic development agreement with Kalahari Resorts, which will be constructing a new facility in Celebrate Virginia South and is scheduled to open in December 2010.

The City will also see the completion of the planned hotel development in the downtown area at the very beginning of FY 2010 – the hotel is currently scheduled to open in July. The budget forecast for FY 2010 reflects the increase in capacity.

The City in FY 2008 had also raised the rate, from 5% to 5.5%. Unfortunately, the declining economic conditions depressed revenue growth below expectations. The inaugural Marine Corps Half Marathon, held in May 2009, led to a very strong spring 2008 for Lodging Tax revenues, and helped to offset major declines in activity in the fall and winter of 2008.

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimated	FY 2010 Budget
Lodging Tax	808,010	860,935	918,952	1,050,586	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, the City has seen a decrease in collections in FY 2009. In addition, in April the federal government increased its 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.

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimated	FY 2010 Budget
Tobacco Tax	613,471	612,462	593,940	460,084	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 scheduled for opening during FY 2009, but the construction was delayed. Ground on the new theater has now been broken, and is projected to open sometime during the fall of 2009, or perhaps the winter of 2010. The forecast for FY 2010 reflects a reduction in revenue from FY 2008 and FY 2009 levels in recognition of the pending competition.

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimated	FY 2010 Budget
Admissions Tax	175,635	269,517	288,477	335,918	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. This rate increase will not affect the City budget in FY 2010.

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. These revenues help offset the costs of providing emergency medical services in the City.

The initial revenue forecast for cost recovery was based upon existing call volume, and a recovery rate of 60%. The City also increased fees for FY 2009, and raised the forecast based largely upon the fee increase. The forecast was for \$1,031,250; unfortunately, the City will not meet that forecast in FY 2009. Now that the City has a year of experience in the program, the revenue appears to be stabilizing at a lower level, which is reflected in the FY 2010 forecast.

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimated	FY 2010 Budget
EMS Fee-for-Service	-	-	287,570	651,257	600,000

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 2009, it is \$0.72 per line, an increase of \$0.05 from FY 2008). The FY 2008 estimate of \$130,000 was based upon the best information the City had concerning the number of telephone lines in the City, the most recent rate information, and the timeline for implementation of the fee imposed by state law. Actual collections for FY 2008 will fall short of the estimate, and the City’s forecast for FY 2009 has been adjusted based on this experience. The FY 2009 forecast is \$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, the decline in construction activity caused a significant decrease in permit revenue during FY 2008.

The forecast in FY 2010 is based upon the decline in building activity that began during FY 2007. The City did see an increase in permit revenue during the spring of FY 2009, as permit revenues were received from two major commercial building projects in the City.

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimated	FY 2010 Budget
Building Permit Fees	793,833	513,584	428,718	531,500	450,000
Site Plan Review Fees	195,852	104,661	97,668	73,673	60,000
Other Fees	127,333	135,417	127,068	112,176	130,200
Total	1,117,018	753,662	653,454	717,349	640,200

SOLID WASTE FEES

The City did not raise solid waste fees with the FY 2010 budget. 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 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 2010 was based on historical trends, both in terms of revenues and in terms of account histories.

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimated	FY 2010 Budget
Solid Waste Fees	600,640	680,190	685,738	729,863	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 enhance internal controls 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. The boat rental fees at Motts Run Reservoir are accepted in the General Fund, and are shown in the table below.

Recreation Fees show a significant shortfall beginning 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 2010 has been reduced, as the City reduced expenditures in the Parks & Recreation program, and there will be a reduction in program offerings as a result. The City also reduced revenue expectations for the Motts Run Marina Fees, based on activity in FY 2009, and is reducing hours at the marina in FY 2010.

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimated	FY 2010 Budget
Recreation Fees	513,805	533,510	458,392	457,468	350,000
Marina Fees – Motts Run	65,709	55,392	58,638	30,203	20,000

TRANSFERS FROM OTHER FUNDS

The City in FY 2010 made use of fund balances and revenues coming into the special tax districts to help support activities in the General Fund. The budget transfers \$191,600 from the Central Park Special Tax District for the repayment of debt service associated with the Cowan Boulevard. The budget also transfers \$300,000 from the Fall Hill Avenue Special Tax District in order to support general operations. (The Fall Hill Avenue Special Tax District was set up to support intersection improvements at Fall Hill Avenue and Carl D. Silver Parkway that are now complete, and the taxes from the districts are “paying the City back” for providing the funds for the project up front.)

In addition to the transfers from the Special Tax Districts, the City transfers \$345,000 from the Water Fund and \$610,000 from the Wastewater Fund to reimburse the General Fund for the overhead support provided to these utilities. Finally, there is a transfer to the City General Fund back from the School Operating Fund in the amount of \$85,400 by agreement to repay the cost of an early retirement program buyout provided by the City many years ago. The total transferred into the General Fund from other funds is \$1,532,000.

USE OF FUND BALANCES

The City used several designated fund balance amounts to transfer additional resources to the Capital funds, and to help meet the City’s obligations for the Rappahannock Regional Jail and the school debt. The City used the following designated fund balances to help fund the budget in FY 2010:

- \$914,590 from Undesignated Unreserved
- \$178,075 from Designation for Regional Security Center
- \$203,625 from Designation for School Debt Service
- \$1,296,290 Total

The City still maintains an Undesignated Unreserved Fund Balance in accordance with the 12% limitation outlined in the Financial Policies of the City.

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

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2010
SOCIAL SERVICES FUND REVENUE
SUMMARY TABLE**

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Budget	FY 2010 Budget
Local Income	1,336	300	5		
Revenue from the Commonwealth	1,130,553	1,288,705	1,316,062	990,615	1,505,122
Revenue from the Federal Government	2,022,793	2,222,432	2,093,224	2,656,243	1,909,063
Transfer from Other Funds	500,000	754,740	805,544	802,402	822,330
Insurance Recovery	-	-			
Fund Balance	-	-			
Total	3,654,682	4,266,177	4,214,835	4,449,260	4,236,515

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 2010, the local transfer represents 19% of the total Social Services Fund operating budget.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2010
SCHOOL OPERATING FUND REVENUE
SUMMARY TABLE**

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Budget	FY 2010 Budget
Local School Income	381,781	379,248	426,838	267,770	271,400
Revenue from the Commonwealth	6,503,267	6,735,289	6,944,509	6,758,179	6,866,420
Revenue from the Federal Government	578,511	552,745	565,271	550,000	550,000
Transfer from the General Fund	18,675,732	20,998,816	23,728,000	24,728,000	24,028,000
Fund Balance	-	-	-	-	375,000
Total	26,139,291	28,666,098	31,664,618	32,303,948	32,090,820

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.

In FY 2010, the City Council appropriated ongoing fund balance, in the amount of \$375,000, in the School Operating Fund for ongoing school operations. This will help offset some of the loss of local transfer from the General Fund in the short term.

REVENUE FROM THE COMMONWEALTH

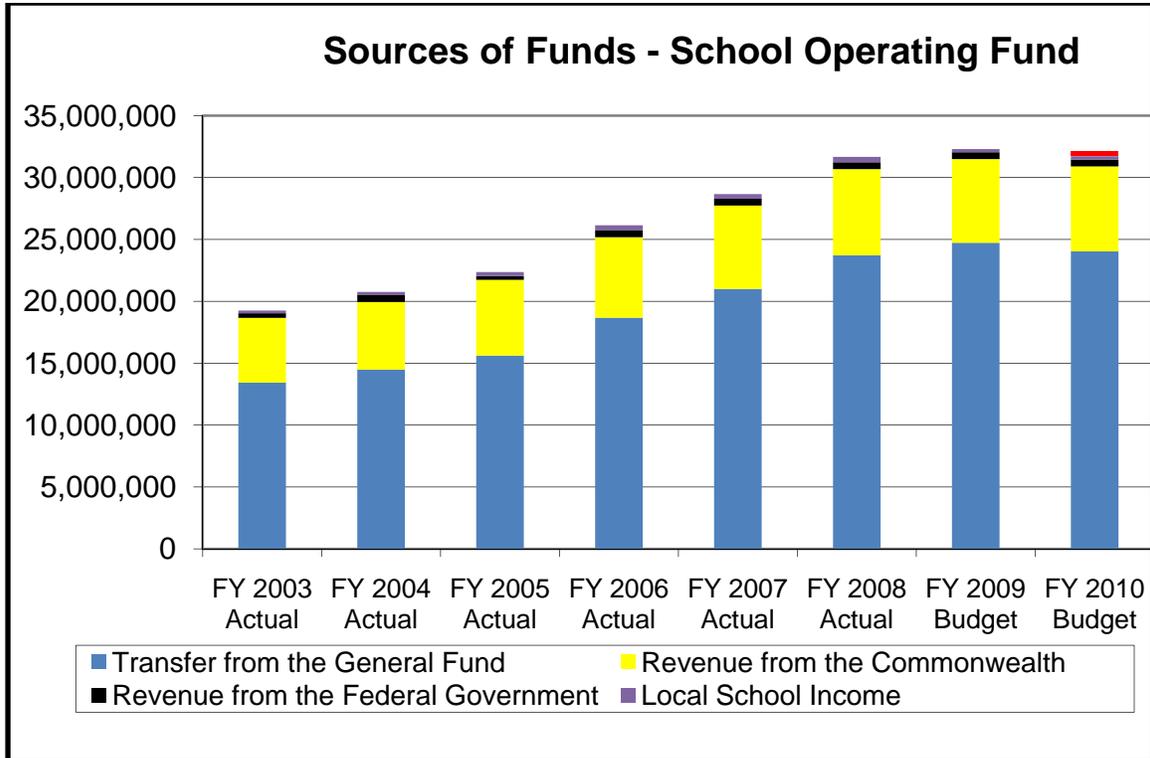
The Commonwealth of Virginia shares resources for education with local school districts based upon complex formulas involving measures of ability to pay, school enrollment, overall population, and funding availability. These funds are based upon local and state forecasts of school enrollment and, for 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 2009, the local transfer constitutes 76.55% of the revenues for the School Operating Fund. State support for City schools, the second largest source of revenue, stands at 20.92%. In FY 2010, the local transfer represents 74.88% of the total fund, while 21.47% represents state support.

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 2009 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.



Comparison Table – School Operating Share of Support
FY 2010 Operating Budget

	City	Stafford County ⁵	Spotsylvania County ⁶
% State Support (includes sales tax & general support)	21.47%	46.4%	43%
% Local Support	74.88%	49.2%	40%

⁵ Source: Stafford County Public Schools FY 2010 Budget (page 14)

⁶ Source: Spotsylvania County Public Schools FY 2010 Budget (page 16)

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2010
CITY GRANTS FUND REVENUE
SUMMARY TABLE**

	FY 2007 Actual	FY 2008 Actual	FY 2009 Original Budget	FY 2009 Amended Budget	FY 2010 Adopted Budget
Local Income	251,800	358,858	243,030	243,030	252,030
Revenue from Other Localities	431,951	401,400	314,800	314,800	386,400
Revenue from the Commonwealth	156,739	162,390	74,086	228,457	256,978
CDBG Funds	316,972	304,602	229,095	229,095	292,212
Revenue from the Federal Government	344,225	352,841	328,982	450,219	246,718
Interfund Transfers	496,003	443,429	402,951	451,915	364,489
Fund Balance	-	-	101,000	649,278	10,000
Total	1,997,690	2,023,520	1,693,944	2,566,794	1,808,827

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 2009.

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 Fridays. Revenues for these items are based upon historical attendance and donation trends.

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. In addition, the City's own match for the Regional Tourism program is included. The source of these matching funds is the City's General Fund.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2010
CAPITAL FUNDS REVENUE
SUMMARY TABLE**

Capital Fund Revenue Overview	FY 2007 Actual	FY 2008 Actual	FY 2009 Amended	FY 2010 Adopted
School Capital Fund				
<i>Lottery</i>	68,721	70,606	65,525	50,000
<i>School Construction Grant</i>	112,426	112,724	110,995	-
<i>Other</i>	-	-	-	80,000
<i>Transfer from General Fund</i>	520,000	562,000	323,480	-
<i>Fund Balance</i>	-	-	368,367	200,000
Total	701,147	745,330	868,367	330,000
Public Works Capital				
<i>Gasoline Taxes</i>	385,000	780,483	968,720	831,800
<i>Interest on Investments</i>	539,237	468,257	200,000	100,000
<i>Other</i>	-	116,940	50,000	100,000
<i>Recovered Costs</i>	433,493	155,782	100,000	-
<i>VDOT Revenue Sharing</i>	-	601,833	485,000	831,800
<i>Sale of Land & Buildings</i>	49,745	1,081,396	-	-
<i>Transfer from General Fund</i>	849,790	25,500	66,280	-
<i>Transfer from Other Funds</i>	-	668,391	-	-
<i>Bond Proceeds</i>	-	2,425,365	941,600	970,000
<i>RSTP & CMAQ Funds</i>	-	-	-	1,450,000
<i>Fund Balance</i>	-	-	2,421,863	50,000
Total	2,257,265	6,323,947	5,233,463	4,333,600
Public Facilities Capital				
<i>Interest on Investments</i>	539,237	427,646	200,000	125,000
<i>Rental of Property</i>	22,912	17,024	-	-
<i>Gasoline Taxes - Trail</i>	-	-	143,000	-
<i>Other</i>	3,000	196,717	-	-
<i>Recovered Costs</i>	95,945	24,650	25,000	-
<i>Revenue - Commonwealth</i>	5,000	225,099	107,500	-
<i>Revenue - Federal Government</i>	-	148,800	1,370,000	-
<i>Sale of Land & Buildings</i>	298,472	-	-	-
<i>Proceeds from Indebtedness</i>	-	-	200,000	-
<i>Transfer from General Fund</i>	987,000	830,000	357,500	-
<i>CMAQ Grant – Trail</i>	-	-	-	1,000,000
<i>Transfer - Court Maint. Fund</i>	-	-	-	125,000
<i>Fund Balance</i>	-	-	2,850,534	260,000
Total	1,951,566	1,869,936	5,253,534	1,510,000

Capital Fund Revenue Overview	FY 2007 Actual	FY 2008 Actual	FY 2009 Amended	FY 2010 Adopted
Public Safety Capital				
<i>Interest on Investments</i>	711,233	127,646	-	170,000
<i>Gifts & Donations</i>	283,178	-	-	-
<i>Other</i>	46,003	103,997	-	-
<i>Revenue from the Commonwealth</i>	290,520	108,906	-	-
<i>Proceeds from Indebtedness</i>	-	-	-	-
<i>Transfer from General Fund</i>	1,610,000	-	-	-
<i>Transfer from Other Funds</i>	-	-	-	-
<i>Fund Balance</i>	-	-	1,670,000	150,000
Total	2,940,934	340,549	1,670,000	320,000
New Elementary				
Total	-	-	-	-
New High School				
Total	109,126	85,341	-	-
New Court Construction				
<i>Bond Proceeds</i>	-	-	4,000,000	150,000
<i>Transfer from General Fund</i>	-	50,000	-	-
Total	-	50,000	4,000,000	150,000

PUBLIC EDUCATION CAPITAL FUND REVENUE PLAN

The FY 2010 Public Education Capital Fund plan is to continue the use of Lottery Funds from the Commonwealth, although these grants have been reduced as a result of state budgetary conditions. The City is also using \$80,000 in surplus motor fuels taxes to purchase a replacement school bus, and \$200,000 in ongoing balance for various capital replacements in the school buildings. The City is not transferring any General Fund money to the Public Education Capital Fund, or any other capital fund, in FY 2010 as a cost savings measure in the General Fund.

PUBLIC WORKS CAPITAL FUND REVENUE PLAN

The FY 2010 Public Works Capital Fund plan includes a variety of local sources, including interest on investments, surplus motor fuels taxes (which must be spent on transportation purposes), a grant from the Economic Development Authority, and two VDOT Revenue Sharing grant for bridge replacements. The City also received grant funds for three projects to improve Princess Anne Street, the intersection of Sophia and

William Street, and traffic signals along the Route One and Route Three corridors. The grant from the Economic Development Authority will help to fund interim improvements to the Riverfront Park.

PUBLIC FACILITIES CAPITAL FUND REVENUE PLAN

The FY 2010 Public Facilities Capital Fund plan includes interest on investments, a transfer from the Courthouse Maintenance Fund in order to fund the move of the Circuit Court Clerk back to the Circuit Court building, and a grant in the amount of \$1,000,000 for the development of the VCR Trail. The City also budgeted \$260,000 as balance, which will be carried forward for the ongoing HVAC replacement project.

PUBLIC SAFETY CAPITAL FUND REVENUE PLAN

The FY 2010 Public Safety Capital Plan utilizes a combination of interest earnings and the available Public Safety Capital Fund Balance for the purchase of a replacement ambulance for the Fredericksburg Rescue Squad and a contribution to an Animal Control Shelter in Spotsylvania County. The City is mandated to operate or contract for a “pound” facility under state law.

NEW SCHOOL FUNDS

The new schools are now complete. Any further activities will require the carryover of balances to meet any residual bills.

NEW COURT CONSTRUCTION FUND

The City established a New Court Construction Fund, which will separate the financial records of the new court project in a manner similar to the New School Funds. The City budgeted \$4,000,000 of bond proceeds in this fund during FY 2009 to assist in project development and land acquisition, but did not need to issue bonds during FY 2009. The City will budget \$150,000 from bond proceeds to perform various professional services related to the project in FY 2010.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2010
WATER FUND REVENUE
SUMMARY TABLE**

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Budget	FY 2010 Budget
Water Sales	1,990,602	2,001,759	2,075,242	2,293,200	2,318,000
Other Income – Water	2,208,980	1,297,524	928,213	418,000	513,600
Fund Balance	-	-	-	618,384	700,000
Total	4,199,582	3,299,283	3,003,455	3,329,584	3,531,600

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. In response to rising costs for water operations and maintenance, the City increased rates by 2%. Historical trend data and projections of growth in the community are the source for this forecast.

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 2010
WASTEWATER FUND REVENUE
SUMMARY TABLE**

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Budget	FY 2010 Budget
Wastewater Sales	3,061,338	3,159,570	3,251,553	3,700,000	3,885,000
Other Income – Wastewater	2,085,547	1,058,320	821,955	542,000	692,000
Fund Balance	-	-	-	1,648,907	1,473,802
Total	5,146,885	4,217,890	4,073,508	5,890,907	6,050,802

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. In addition, a 5% rate increase was adopted for FY 2010.

OTHER INCOME – WASTEWATER

This category represents other fees in the Wastewater 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 2010
TRANSIT FUND REVENUE
SUMMARY TABLE**

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Budget	FY 2010 Budget
Fares	50,416	54,963	116,662	84,655	255,000
Revenue from the Federal Government	796,515	3,467,707	4,499,810	2,422,956	1,909,530
Revenue from the Commonwealth	381,873	684,865	1,162,031	362,765	401,202
Local Revenues (including partnerships & other governments)	1,027,670	881,448	1,648,366	2,004,210	1,818,128
Fund Balance	-	-	-	525,000	525,000
Total	2,256,474	5,088,983	7,426,869	5,399,586	4,908,860

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.

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 2010
PARKING FUND REVENUE
SUMMARY TABLE**

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimated	FY 2010 Adopted
Parking Garage Fees	28,563	83,520	106,916	80,000	142,720
Motor Fuels Tax	739,857	284,544	321,975	404,798	321,058
Other Revenues	25,856	94,256	70,010	25,000	25,000
Transfer from General Fund	-	43,373	30,000	-	-
Contributed Capital	-	-	-	-	-
Transfer from Capital	473,255	-	-	-	-
Fund Balance	-	-	-	150,000	150,000
Total	1,267,531	505,693	528,901	659,798	638,778

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, and FY 2006 represents a partial year of collection and operations for the garage.

The new downtown hotel opened during July 2009, which involves the lease of 80 spaces from the garage to the hotel per agreement with the City. This will increase future revenues for the garage, and the City has raised revenue forecasts for the FY 2010 budget in this fund as a result.

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 2010, the revenue estimate is equal to the scheduled debt service payments for the Fiscal Year. In prior years, the City has also had to use surplus motor fuels taxes and transfers from the General Fund for garage operations, but the increased revenues from parking fees should be sufficient to cover garage operations for FY 2010.

FUND BALANCE

The Parking Fund is an Enterprise Fund, and there is an annual charge for depreciation of the assets in the fund. The City will budget an amount of fund balance equal to the anticipated depreciation charge on the assets of the Fund. The major asset is the Parking Garage.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2010
COMPREHENSIVE SERVICES ACT FUND REVENUE
SUMMARY TABLE**

	FY 2006 Actual	FY 2006 Actual	FY 2008 Actual	FY 2009 Budget	FY 2010 Budget
Revenue from the Commonwealth	579,055	706,288	775,788	842,983	746,650
Transfer from Other Funds	-	-	-	-	-
Transfer from the General Fund	531,566	681,491	749,835	769,427	665,550
Fund Balance	-	-	-	-	-
Total	1,110,621	1,387,779	1,525,623	1,612,410	1,412,200

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 2009 and FY 2010. The City will have its state aid for this program reduced by \$30,270 in FY 2010.

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 2010
MOTOR FUELS TAXES REVENUE
SUMMARY TABLE**

	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual	FY 2009 Estimated	FY 2010 Projected ⁷
Motor Fuels Taxes	1,475,756	1,545,970	1,607,800	1,341,567	1,037,228
Interest Allocated to City	185,689	290,001	218,256	88,354	75,000
Total	1,661,445	1,835,971	1,826,056	1,429,921	1,112,228

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 City budgets a large percentage of motor fuels tax surplus for capital budget needs; other uses include operating subsidies for FRED Transit and the debt service on the Sophia Street Parking Garage. The tables below represent the new uses of the motor fuels taxes by the City for FY 2010. The City has also included in the budget two ongoing revenue sharing projects in the capital funds, which will use \$831,800 in motor fuels taxes already reserved for those projects.

Use of Motor Fuels Tax Revenues FY 2010	
FRED Operating Subsidy (Transit Fund)	443,382
Parking Garage Operations (Parking Fund)	-
Parking Garage Debt Service (Parking Fund)	321,058
Paving Program (Public Works Capital Fund)	-
VRE Operating Subsidy (Held at PRTC)	508,503
PRTC Operating Subsidy (Held at PRTC)	18,200
School Bus Purchase (Public Schools Capital Fund)	80,000
Transit Maintenance Station Local Match (Transit Capital Fund)	120,400
Train Station Maintenance (Regional Transportation Fund)	50,000
Stafford Regional Airport Debt Service (General Fund)	32,900
Total	1,574,443

⁷ Gasoline tax projection from the PRTC; interest earnings estimated by staff.

Fund Balance Analysis – Motor Fuels Tax FY 2010

Projected End FY 2009 Unencumbered Fund Balance	1,915,299
Projected Use of Motor Fuels Tax During the Year	(1,574,443)
Projected Motor Fuels Tax Revenues	1,112,228
<i>Projected Revenues less Projected Expenditures</i>	<i>(462,215)</i>
Projected End FY 2010 Fund Balance	1,453,084

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2010
SCHOOL GRANTS FUND REVENUE
SUMMARY TABLES**

	FY 2007 Actual	FY 2008 Actual	FY 2009 Budget	FY 2010 Budget
Local School Revenues	804,054	619,132	492,684	568,224
Revenue from the Commonwealth	418,351	449,495	594,790	673,750
Revenue from the Federal Government	3,665,484	2,837,055	3,087,174	3,146,943
Transfer from Other Funds	-	-	-	-
Transfer from the General Fund	164,943	230,000	230,000	195,500
Fund Balance	-	-	-	-
Total	5,052,832	4,135,682	4,404,648	4,584,417

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 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 2010 for this program, which is transferred from the General Fund. This is a decrease of 15% in the City transfer for Head Start.

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