

## Adopted Operating and Capital Budget FY 2009

### Revenue Analysis

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

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**ADOPTED OPERATING AND CAPITAL BUDGET FY 2009  
GENERAL FUND REVENUE ANALYSIS  
SUMMARY TABLE**

	FY 2006 Actual	FY 2007 Actual	FY 2008 Amended Budget	FY 2008 Estimate	FY 2009 Adopted Budget
Real Estate <sup>1</sup>	18,582,312	20,688,084	21,715,000	21,300,000	22,885,000
Personal Property	4,323,458	5,224,538	5,378,050	5,745,000	5,523,050
Sales Tax	12,856,512	12,163,136	13,180,500	10,700,000	10,800,000
Telecommunications Sales Tax	-	729,233	1,840,000	2,000,000	1,950,000
Meals Tax	6,402,076	6,418,546	7,400,000	7,050,000	7,100,000
Business License Tax	5,893,564	5,777,347	6,222,000	5,400,000	5,422,000
Consumer Utility Tax	2,910,053	2,036,988	1,500,000	1,500,000	1,500,000
PPTRA <sup>2</sup> Funds	1,832,752	1,720,891	1,725,000	1,725,000	1,725,000
Lodging Taxes	808,010	860,935	1,045,000	920,000	1,100,000
Street Maintenance Assistance	1,823,381	1,894,842	2,100,000	2,100,000	2,150,000
State Law Enforcement Assistance	813,916	921,408	974,650	925,000	889,465
Other Intergovernmental Revenues	1,589,532	1,630,678	2,185,262	2,084,000	2,385,811
Transfers from Other Funds	543,000	2,111,081	1,689,622	1,689,000	1,377,016
Use of Fund Balance <sup>3</sup>	-	-	3,328,941	-	3,989,331
Other Revenues	7,768,477	7,800,649	7,674,229	7,462,000	7,724,947
<b>Total General Fund Revenues</b>	<b>66,147,043</b>	<b>69,978,356</b>	<b>77,958,254</b>	<b>70,600,000</b>	<b>76,521,620</b>

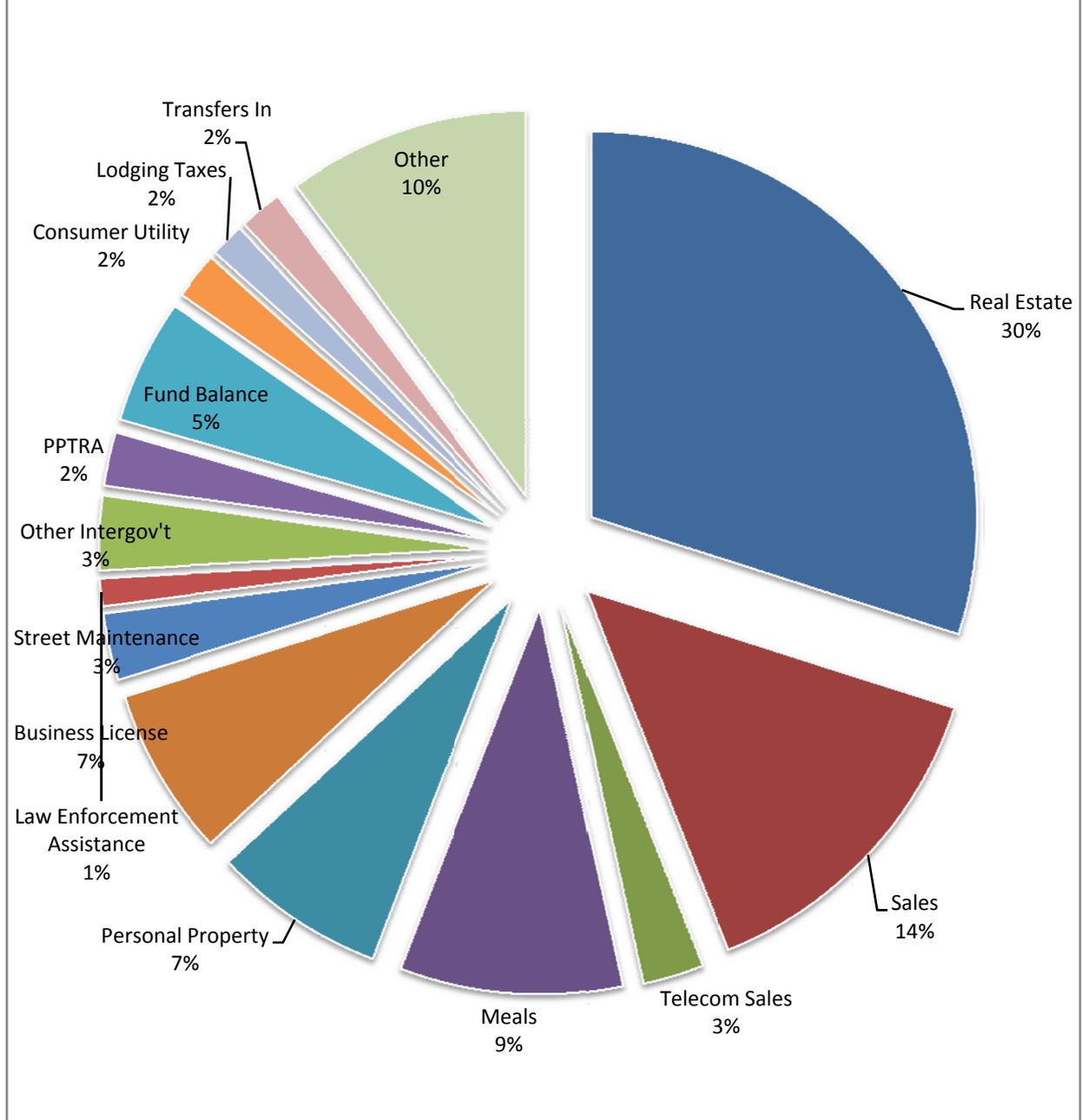
<sup>1</sup> Including Public Service Corporation Taxes

<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 2009  
GENERAL FUND REVENUE ANALYSIS  
SUMMARY CHART**

**General Fund Revenue By Source  
FY 2009**



**ADOPTED OPERATING AND CAPITAL BUDGET FY 2009  
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**

During the FY 2009 budget process, the City Council increased the real estate tax rate to \$0.56 per \$100 valuation. This was an increase in the rate of three cents from the FY 2008 level of \$0.53 per \$100 valuation.

Each penny on the real estate tax rate yields approximately \$400,000 in revenue. 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 two years.

In the spring of 2007, the City completed its first general re-assessment in four years. During the FY 2008 budget process, the City used preliminary values given by the assessors prior to the results of appeals to the assessor. The preliminary values resulted in a tax rate necessary to offset the increase in value of \$0.50 per \$100 valuation. The City Manager’s Recommended Operating Budget recommended a rate of \$0.56 per \$100 valuation. After a combination of expenditure reductions and increases in other revenues, the City Council adopted a rate of \$0.53 per \$100 valuation.

The result of the appeals to the assessor resulted in a lowered base from the preliminary values that the City worked with during the budget process. The total taxable value from the preliminary assessment was \$4.089 billion. The final July 1 land book for FY 2008 resulted in a total taxable value of \$4.046 billion. The City now has the results of the reductions from appeals to the Board of Equalization from the prior re-assessment, and additions for new construction, plus other changes, and the new taxable value total for July 1, 2008 is \$4.1 billion. The two prior years represented years of record construction for the City; however, construction activity has since slowed considerably.

The FY 2009 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 2009 is \$21,320,000. The City also forecasts a small amount for delinquent recoveries and deferred payments - \$80,000 total.

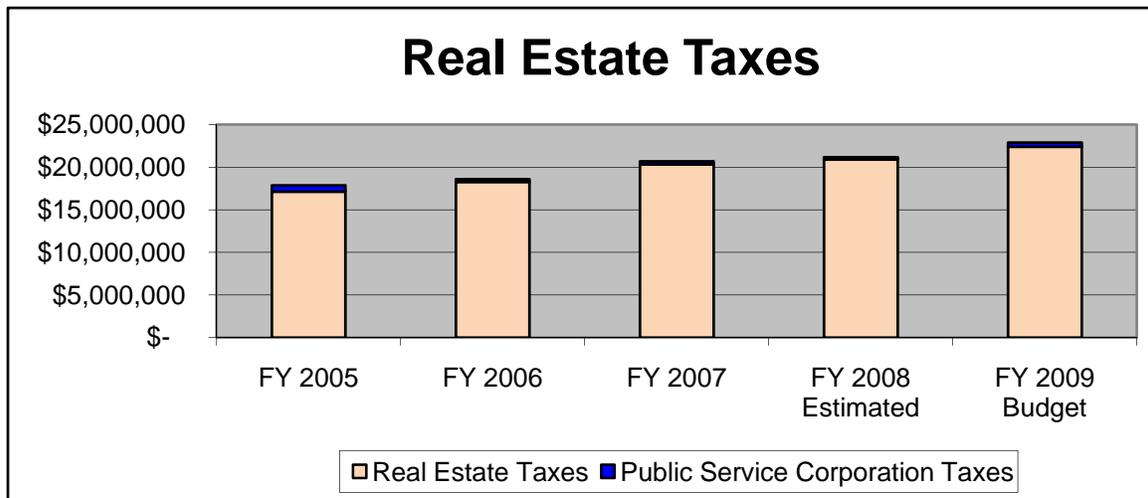
The City is also undergoing a re-assessment for the upcoming year, and the decline in the real estate markets will more than likely decrease the total taxable value for the City in the upcoming years.

Real Estate Rate	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Per \$100 Valuation	\$0.89	\$0.89	\$0.89	\$0.53	\$0.56
Notes				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.

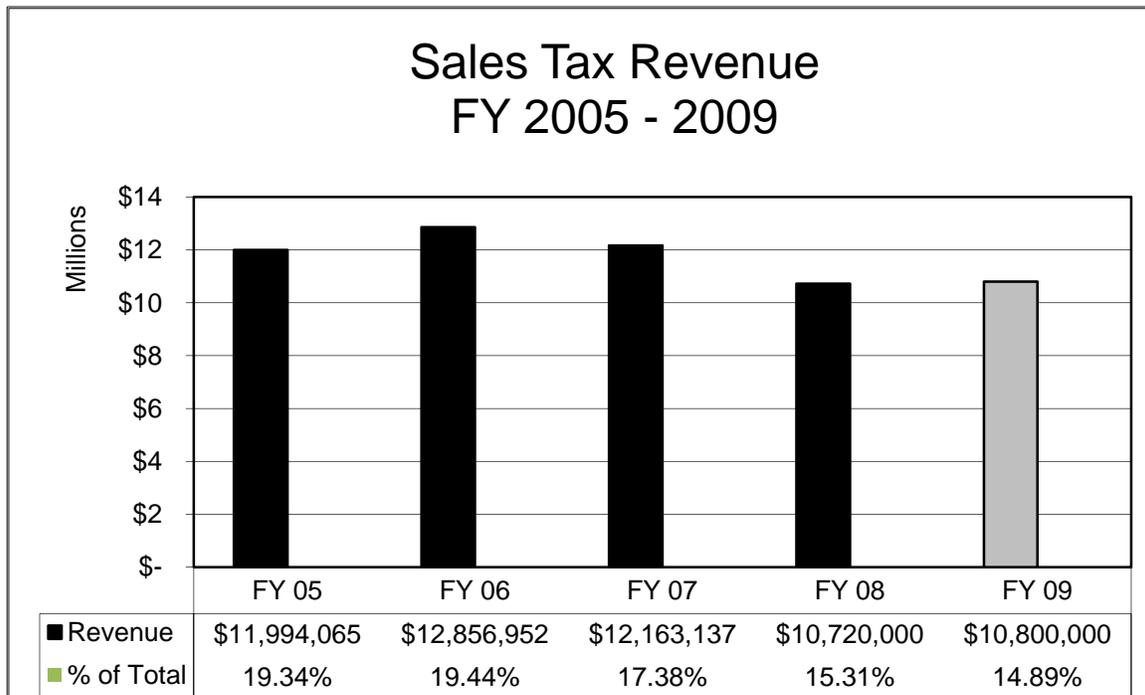
The forecast for FY 2009 is for \$480,000, which reflects the increase in the assessment ratio from the last re-assessment.



## 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.

In FY 2008, the City experienced a tremendous decline in revenue from the sales tax. The forecast, which was based on an assumption of slow growth from this source as it stood in FY 2007, was for revenue in FY 2008 of \$13.18 million. Although the final numbers have not yet been audited, poor economic conditions have combined with increased regional competition to reduce this revenue to approximately \$10.72 million in FY 2008. This shortfall in sales tax revenue alone represents almost 4% of the FY 2008 adopted General Fund operating budget.



In FY 2009, the City forecasts revenues of \$10.8 million. This would represent very modest growth from the final forecast of \$10.72 of FY 2008. The slump that began in the spring of FY 2007 and continued throughout the first three quarters of FY 2008, with a tremendous valley in January and February of 2008, has now stabilized. Forecasts of the general economic climate vary considerably, but it appears that the economic slowdown will probably continue for at least the balance of calendar 2008. 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 the next few years, the City will at best see a slight increase in sales tax growth, which will stand in contrast to the rapid growth of this revenue source over the FY 2003-FY 2006 period.

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 15% 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.

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

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 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 2009.)

	<b>FY 2005 Actual</b>	<b>FY 2006 Actual</b>	<b>FY 2007 Actual</b>	<b>FY 2008 Estimate</b>	<b>FY 2009 Budget</b>
Cable Franchise	230,367	291,380	-	-	-
Local E911	223,048	215,804	98,521	-	-
Consumer UT	2,882,555	2,910,053	2,036,988	1,527,028	1,500,000
Telecommunications Sales Tax	-	-	729,233	2,019,101	1,950,000
<b>Total These Sources</b>	<b>3,335,970</b>	<b>3,417,237</b>	<b>2,864,742</b>	<b>3,546,129</b>	<b>3,450,000</b>

Given the short history of the City with the new Telecommunications Sales Tax, the FY 2009 forecast for the combination of the Telecommunications Sales Tax and the remaining Consumer Utility Tax (for electric and gas) sum to an amount that is very similar to the FY 2006 and FY 2008 estimated levels - \$3,450,000. There may be slow growth in these items over time as new homes and businesses come to the City.

#### 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.

Effective January 1, 2005, the City pro-rates its personal property taxes, which means that taxes are partially billed for those who move into the City or obtain property during the course of a year, and partially adjusted for those who leave of the City or give up title to property during the course of a year.

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 Fiscal Year 2009, the rate is set at 54%. Personal property used for business purposes and certain types of other personal property (e.g. boats) are not granted relief under the Act.

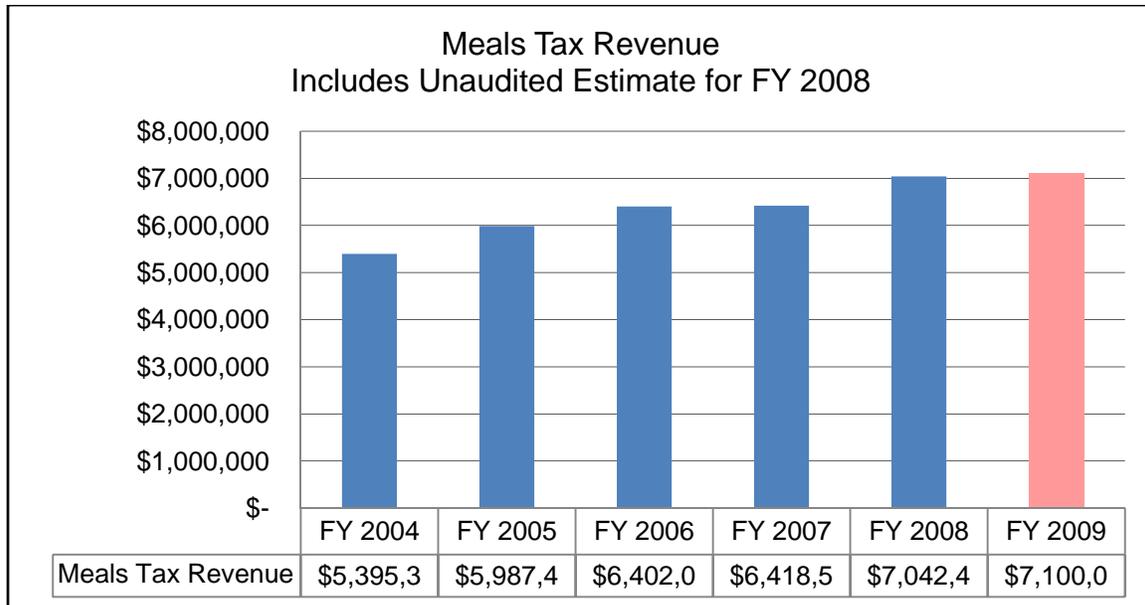
The City also receives Machinery & Tools taxes from industries and businesses located in the City. The Machinery & Tools tax is a property tax on certain classes of business property used for manufacturing, mining, water well drilling, processing and re-processing, radio or television broadcasting, dairy,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

The overall forecast for these sources in Fiscal Year 2008 were based upon historical trends of collections and on growth, although the advent of pro-ration and the changes to the PPTRA program have skewed the historical data somewhat.

	<b>FY 2005 Actual</b>	<b>FY 2006 Actual</b>	<b>FY 2007 Actual</b>	<b>FY 2008 Estimate</b>	<b>FY 2009 Budget</b>
Personal Property Taxes	3,774,251	4,225,404	5,576,482	5,675,000	5,462,800
Machinery & Tools	102,962	98,054	80,241	70,000	60,250
PPTRA	1,731,530	1,832,752	1,720,891	1,725,000	1,725,000
<b>Total These Sources</b>	<b>5,608,743</b>	<b>6,156,210</b>	<b>7,377,614</b>	<b>7,470,000</b>	<b>7,248,050</b>

#### MEALS TAX

In FY 2008, the City Council increased the Meals Tax rate to 5% from 4.5% in order to provide more revenue to the City, and to lower the real estate tax rate from the rate being considered at that time. The meals tax is the third largest source of revenue for the City's General Fund, accounting for 9% of total General Fund revenues as forecast for FY 2009. The City's meals tax receipts have grown significantly in the last several years, largely due to the construction of the City's Central Park retail complex. Unfortunately, revenues from this source did not change substantially in FY 2007 from FY 2006. In FY 2008, the City meals taxes were not as high as anticipated, given the rate increase, but nevertheless receipts were higher than in the prior year. In FY 2009, the forecast is for roughly the same level of activity as was seen in FY 2008. In the table below, collections for Fiscal Years 2004 through 2006 are actual, the collection for FY 2008 is an unaudited collection number, and FY 2009 is the budget forecast.



#### BUSINESS LICENSE TAX

The City has lowered its forecast for business license taxes, also known as BPOL taxes, for FY 2009. The following table shows business license tax collections over the prior several years:

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Estimated	FY 2009 Budget
Business License	4,974,756	5,893,564	5,777,347	5,430,000	5,422,000

The City based this forecast on historical trends, including a surge in receipts in Fiscal Year 2006. Unfortunately, the revenue for FY 2007 fell slightly from the level seen in FY 2006. The City's collections in FY 2008 were down significantly from prior periods because of economic conditions and regional retail competition. In addition, construction in the City fell significantly in FY 2008, and the City's share of Business License taxes that come in from contractors suffered as a result. The City adjusted its FY 2009 forecast based on lowered revenue expectations from the FY 2008 budget. The new forecast is for \$5,422,000.

#### 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.)

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 has lowered its forecast for bank stock tax collections in FY 2009.

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Estimated	FY 2009 Budget
Bank Franchise Tax	501,213	546,953	567,273	459,020	450,000

#### CONSUMER UTILITY TAX

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. This had a major impact on the revenues from this source in FY 2007, and will continue to have an impact going forward into the future. The following table isolates the recent history and the forecast for this revenue source:

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Estimate	FY 2009 Budget
Consumer Utility Taxes	2,882,555	2,910,053	2,036,988	1,527,028	1,500,000

#### 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. City revenues have also slumped from the previous high-water marks seen in FY 2006 and FY 2007.

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Estimate	FY 2009 Budget
Recordation Tax	708,156	947,280	818,353	715,884	700,000

#### 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. The amount in the budget is equal to the current year of debt service for the portion of the debt to be repaid by the state - \$437,332. The City borrowed additional funding beyond what the state will contribute, and set up the Central Park Special Tax District to cover those debt payments.

	<b>FY 2005 Actual</b>	<b>FY 2006 Actual</b>	<b>FY 2007 Actual</b>	<b>FY 2008 Estimate</b>	<b>FY 2009 Budget</b>
Street Maintenance	1,763,847	1,823,381	1,894,842	2,100,000	2,150,000
Law Enforcement Assistance (HB 599)	755,328	813,916	921,408	925,632	889,465
Constitutional Officers	1,208,542	1,359,659	1,526,815	1,784,665	1,695,979
Other	29,900	229,873	103,863	287,026	689,832
<b>Total</b>	<b>3,757,617</b>	<b>4,226,829</b>	<b>4,446,928</b>	<b>5,097,323</b>	<b>5,425,276</b>

*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	2,078	2,105	
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	
Grantor's Tax	5,739	5,664	
CSA	28,992	30,270	Reduction in state revenue to the CSA Fund; programs are still mandatory
Community Corrections	37,317	37,813	Drug court and Chaplin Center – City is fiscal agent only
HB 599	38,625	38,119	State aid to the City Police Department
<b>Total Reductions</b>	<b>168,084</b>	<b>167,539</b>	

#### LODGING TAX

In FY 2009, the City will see 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 may see the completion of the planned hotel development in the downtown area at the very end of FY 2009 – the hotel is currently scheduled to open in June. The budget forecast for FY 2009 reflects the increase in the tax rate.

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 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Estimated	FY 2009 Budget
Lodging Tax	718,473	808,010	860,935	918,952	1,100,000

#### CIGARETTE TAX

The FY 2009 forecast for cigarette tax revenues reflects little change from the FY 2008 estimated receipts, as the City has not increased the rate of this tax since FY 2006. The City imposes a \$0.31 per pack excise tax on cigarettes sold within the City limits. This tax was increased from \$0.05 to \$0.25 in FY 2005, and subsequently to \$0.31 in FY 2006. This forecast for FY 2008 was based largely on the trends established during the last couple of years for collections at the \$0.31 per pack rate.

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Estimated	FY 2009 Budget
Cigarette Tax	898,413	613,471	612,462	593,940	600,000

#### 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. The unaudited collections at the end of FY 2008 reflect a strong increase in this revenue. 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 new theater in the County is projected to open sometime during 2009, and will more than likely reduce this revenue for the City. The forecast for FY 2009 reflects a reduction in revenue from FY 2008 levels in recognition of the potential competition.

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Estimated	FY 2009 Budget
Admissions Tax	163,734	175,635	269,517	288,477	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 2009 or 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.

The initial revenue for cost recovery was based upon existing call volume, and a recovery rate of 60%. The FY 2008 budget for this revenue was \$728,200. Unfortunately, for a variety of reasons generally associated with the startup of the program, the City will only realize approximately \$280,000 in revenue for FY 2008. The forecast for FY 2009, which includes a rate increase designed to cover increasing costs for transportation, is \$1,031,250. The City anticipates greater rates of collection in FY 2009; however, this program will need to be monitored carefully, and if need be, initial estimates will need to be revised.

## 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 2009 was based upon historical trends.

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Estimated	FY 2009 Budget
Building Permit Fees	547,791	793,833	513,584	428,718	550,000
Site Plan Review Fees	381,376	195,852	104,661	97,668	100,000
Other Fees	53,136	127,333	135,417	118,068	100,200
Total	982,303	1,117,018	753,662	644,654	750,200

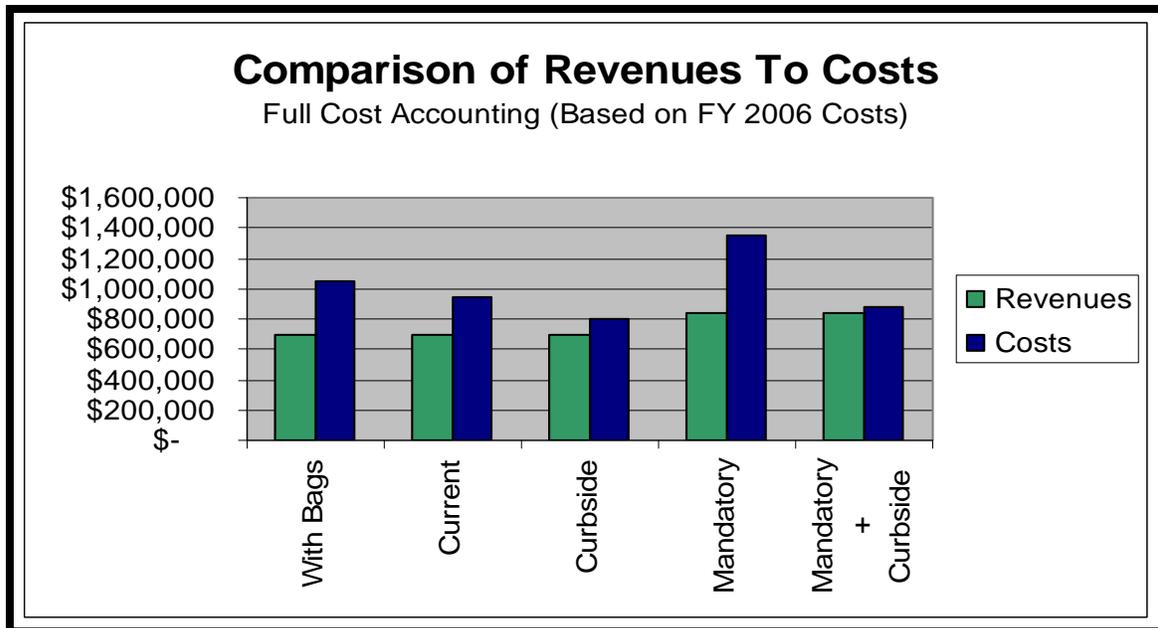
#### SOLID WASTE FEES

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 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 was based on historical trends and projected growth, both in terms of revenues and in terms of account histories.

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Estimated	FY 2009 Budget
Solid Waste Fees	576,322	600,640	680,190	685,738	724,500

One of Goals and Initiatives of the City Council for FY 2007-2008 is the evaluation of the current refuse and recycling collection system to determine preferences for: frequency and location of collection, subscription fees, voluntary vs. mandatory, provision of bags, and equipment needs. The City eliminated the provision of garbage bags to the subscribers during the FY 2008 budget process, and asked staff to accept public comment and evaluate whether or not to make subscription mandatory (it is currently voluntary) and whether to have curbside, rather than backyard, collection. The City performed a study that compared the full accounting cost of the services provided to the revenues currently being collected. The results of the study indicate that the revenues collected do not pay for the services provided, although the gap closed significantly once garbage bags were no longer being distributed by the City. The study, entitled "Refuse Collection Practices and Policies Study," was prepared by Barbara J. Stevens, PhD and Michael Maker and is available on the City's web site for further review:

[www.fredericksburgva.gov](http://www.fredericksburgva.gov).



#### 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. 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 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 2009 is based largely on experience prior to FY 2008, and it is hoped that participation will rebound to levels that are closer to recent historical experience.

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Estimated	FY 2009 Budget
Recreation Fees	526,155	513,805	533,510	446,000	510,000
Marina Fees – Motts Run	36,044	65,709	55,392	58,000	45,000

#### TRANSFERS FROM OTHER FUNDS

The City in FY 2009 made use of fund balances and revenues coming into the special tax districts to help support activities in the General Fund. The budget transfers \$191,607 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 \$400,000 each from the Water and Wastewater Funds in order to better reimburse the General Fund for the overhead support provided to these utilities.

#### USE OF FUND BALANCES

The City used several designated fund balances 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 2009:

- \$1,448,780 – Fund Balance Designated for Capital
- \$1,100,000 – Fund Balance Designated for Education Debt Service
- \$1,440,551 – Fund Balance Designated for Security Center

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 2009  
SOCIAL SERVICES FUND REVENUE ANALYSIS  
SUMMARY TABLE**

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Budget	FY 2009 Budget
Local Income	215	1,336	300	-	-
Revenue from the Commonwealth	907,688	1,130,553	1,288,705	917,087	990,615
Revenue from the Federal Government	1,965,335	2,022,793	2,222,432	2,896,008	2,656,243
Transfer from Other Funds	500,000	500,000	754,740	750,000	802,402
Insurance Recovery	1,512	-	-	-	-
Fund Balance	-	-	-	28,929	-
<b>Total</b>	<b>3,374,750</b>	<b>3,654,682</b>	<b>4,266,177</b>	<b>4,592,024</b>	<b>4,449,260</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.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2009  
SCHOOL OPERATING FUND – REVENUE ANALYSIS  
SUMMARY TABLE**

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Budget	FY 2009 Budget
Local School Income	323,043	381,781	379,248	265,375	267,770
Revenue from the Commonwealth	6,120,386	6,503,267	6,735,289	6,940,804	6,758,178
Revenue from the Federal Government	305,564	578,511	552,745	550,000	550,000
Transfer from the General Fund	15,615,732	18,675,732	20,998,816	23,728,000	24,728,000
Fund Balance	-	-	-	-	-
Total	22,364,725	26,139,291	28,666,098	31,484,179	32,303,948

**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**

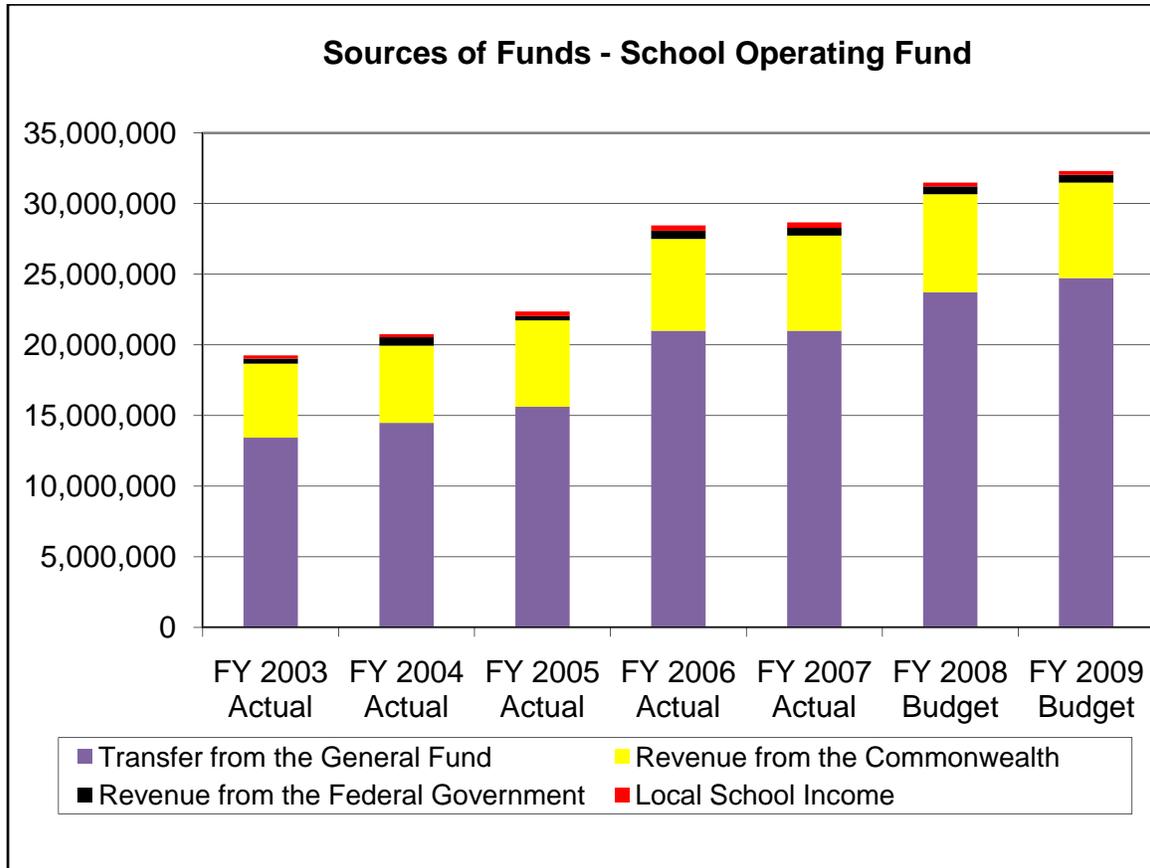
The Commonwealth of Virginia shares resources for education with local school districts based upon complex formulas involving measures of ability to pay, school enrollment, overall population, and funding availability. These funds are based upon local and state forecasts of school enrollment and, for 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 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%.

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.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2009  
SCHOOL OPERATING FUND  
GRAPH**



Comparison Table – School Operating Share of Support  
FY 2009 Operating Budget

	City	Stafford County <sup>5</sup>	Spotsylvania County <sup>6</sup>
% State Support (includes sales tax & general support)	20.92%	54%	57.7%
% Local Support	76.55%	43.3%	37.2%

<sup>5</sup> Source: Stafford County Public Schools FY 2009 Budget (page 15)

<sup>6</sup> Source: Spotsylvania County Public Schools FY 2009 Budget (page 4) – eliminating debt service from operating totals to standardize comparisons.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2009  
CITY GRANTS FUND REVENUE ANALYSIS  
SUMMARY TABLE**

	FY 2006 Actual	FY 2007 Actual	FY 2008 Original Budget	FY 2008 Amended Budget	FY 2009 Adopted Budget
Local Income	404,379	251,800	245,030	245,030	243,030
Revenue from Other Localities	100,000	431,951	416,400	437,400	314,800
Revenue from the Commonwealth	166,298	156,739	118,223	123,223	74,087
CDBG Funds	236,858	316,972	237,854	237,854	229,095
Revenue from the Federal Government	299,222	344,225	252,690	424,613	328,982
Interfund Transfers	134,501	496,003	402,616	443,429	402,951
Fund Balance	-		27,434	721,727	101,000
<b>Total</b>	<b>1,341,258</b>	<b>1,997,690</b>	<b>1,700,247</b>	<b>2,633,276</b>	<b>1,693,945</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 2008.

**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.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2009  
CAPITAL FUNDS REVENUE ANALYSIS  
SUMMARY TABLE**

<b>Capital Fund Revenue Overview</b>	<b>FY 2006 Actual</b>	<b>FY 2007 Actual</b>	<b>FY 2008 Amended</b>	<b>FY 2009 Adopted</b>
<b>School Capital Fund</b>				
<i>Lottery</i>	88,278	68,721	70,600	65,000
<i>School Construction Grant</i>	115,121	112,426	112,400	110,000
<i>Other</i>	-	-	-	-
<i>Transfer from General Fund</i>	339,290	520,000	562,000	425,000
<i>Fund Balance</i>	-	-	1,000,000	-
<b>Total</b>	<b>542,689</b>	<b>701,147</b>	<b>1,745,000</b>	<b>600,000</b>
<b>Public Works Capital</b>				
<i>Gasoline Taxes</i>	500,000	385,000	1,207,800	968,720
<i>Interest on Investments</i>	310,000	539,237	300,000	200,000
<i>Other</i>	-	-	50,000	25,000
<i>Recovered Costs</i>	10,837	433,493	100,000	-
<i>VDOT Revenue Sharing</i>	-	-	638,550	485,000
<i>Sale of Land &amp; Buildings</i>	-	49,745	1,000,000	-
<i>Transfer from General Fund</i>	1,212,012	849,790	180,000	216,280
<i>Transfer from Other Funds</i>	-	-	680,000	-
<i>Bond Proceeds</i>	-	-	926,700	941,600
<i>Fund Balance</i>	-	-	1,873,244	-
<b>Total</b>	<b>2,032,849</b>	<b>2,257,265</b>	<b>6,956,294</b>	<b>2,836,600</b>
<b>Public Facilities Capital</b>				
<i>Interest on Investments</i>	302,000	539,237	160,000	200,000
<i>Rental of Property</i>	63,897	22,912	-	-
<i>Gasoline Taxes - Trail</i>	-	-	-	143,000
<i>Other</i>	1,600	3,000	-	-
<i>Recovered Costs</i>	215,975	95,945	-	-
<i>Revenue from the Commonwealth</i>	-	5,000	300,000	107,500
<i>Revenue from the Federal Government</i>	-	-	-	1,345,000
<i>Sale of Land &amp; Buildings</i>	-	298,472	-	-
<i>Proceeds from Indebtedness</i>	1,963,145	-	-	200,000
<i>Transfer from General Fund</i>	3,787,687	987,000	1,630,000	807,500
<i>Transfer from Other Funds</i>	125,000	-	-	-
<i>Fund Balance</i>	-	-	3,073,216	1,145,000
<b>Total</b>	<b>6,459,304</b>	<b>1,951,566</b>	<b>5,163,216</b>	<b>3,948,000</b>

<b>Capital Fund Revenue Overview</b>				
	<b>FY 2006 Actual</b>	<b>FY 2007 Actual</b>	<b>FY 2008 Amended</b>	<b>FY 2009 Adopted</b>
<b>Public Safety Capital</b>				
<i>Interest on Investments</i>	301,082	711,233	-	-
<i>Gifts &amp; Donations</i>	-	283,178	-	-
<i>Other</i>		46,003		
<i>Revenue from the Commonwealth</i>	173,481	290,520	143,426	-
<i>Proceeds from Indebtedness</i>	4,417,076	-	-	-
<i>Transfer from General Fund</i>	4,016,347	1,610,000	-	-
<i>Transfer from Other Funds</i>	19,667	-	-	-
<i>Fund Balance</i>	-	-	1,228,965	1,000,000
<b>Total</b>	<b>8,927,653</b>	<b>2,940,934</b>	<b>1,372,191</b>	<b>1,000,000</b>
<b>New Elementary</b>				
<b>Total</b>	<b>335,024</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>New High School</b>				
<b>Total</b>	<b>224,382</b>	<b>109,126</b>	<b>-</b>	<b>-</b>
<b>New Court Construction</b>				
<i>Bond Proceeds</i>				4,000,000
<b>Total</b>				<b>4,000,000</b>

#### PUBLIC EDUCATION CAPITAL FUND REVENUE PLAN

The FY 2009 Public Education Capital Fund plan is to continue the use of Lottery Funds and Construction Grant Funds from the Commonwealth. A transfer of \$423,480 from the General Fund will also be required.

In FY 2008, the City used \$1,000,000 of fund balance in this fund to support the replacement of the roof at the Hugh Mercer Elementary School.

#### PUBLIC WORKS CAPITAL FUND REVENUE PLAN

The FY 2009 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), and a VDOT Revenue Sharing grant for bridge replacement. The fund will also require a transfer from the General Fund of \$216,280.

#### PUBLIC FACILITIES CAPITAL FUND REVENUE PLAN

The FY 2009 Public Facilities Capital Fund plan includes interest on investments, and a grant from the Commonwealth for assistance in renovations to the Circuit Court

building. A transfer from the General Fund will be necessary in the amount of \$807,500. In addition, use of the Public Facilities Capital Fund balance in the amount of \$1,145,000 will also be necessary. Major grants have also been received for two Pathways projects - one along the old Virginia Central Railway railroad right-of-way, and the other north of downtown (the Rappahannock Heritage Trail). The bond proceeds would be for an issuance of debt to meet the City's obligation to extend the road and utilities for a new baseball facility planned by the Cal Ripken, Sr. Foundation.

#### **PUBLIC SAFETY CAPITAL FUND REVENUE PLAN**

The FY 2009 Public Safety Capital Plan utilizes \$1,000,000 of the available Public Safety Capital Fund Balance for the purchase of a replacement aerial ladder fire truck.

#### **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.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2009  
WATER FUND REVENUE ANALYSIS  
SUMMARY TABLE**

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Budget	FY 2009 Budget
Water Sales	1,881,288	1,990,602	2,001,759	2,205,000	2,293,200
Other Income – Water	1,509,157	2,208,980	1,297,524	519,558	418,000
Fund Balance	-	-	-	450,000	618,384
<b>Total</b>	<b>3,390,445</b>	<b>4,199,582</b>	<b>3,299,283</b>	<b>3,174,558</b>	<b>3,329,584</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. In response to rising costs for water operations and maintenance, the City increased rates by 5%. This is the first increase in rates since Fiscal Year 1998. The City increased the revenue forecast 5% over FY 2007 as a result. 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 2009  
WASTEWATER FUND REVENUE ANALYSIS  
SUMMARY TABLE**

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Budget	FY 2009 Budget
Wastewater Sales	3,091,337	3,061,338	3,159,570	3,528,000	3,700,000
Other Income – Wastewater	1,482,129	2,085,547	1,058,320	392,570	542,000
Fund Balance	-	-		1,112,153	1,648,907
<b>Total</b>	<b>4,573,466</b>	<b>5,146,885</b>	<b>4,217,890</b>	<b>5,032,723</b>	<b>5,890,907</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. In addition, a 5% rate increase was adopted for FY 2008.

**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 2009  
TRANSIT FUND REVENUE ANALYSIS  
SUMMARY TABLE**

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Budget	FY 2009 Budget
Fares	45,830	50,416	54,963	54,595	84,655
Revenue from the Federal Government	657,282	796,515	3,467,707	2,297,001	2,422,956
Revenue from the Commonwealth	306,202	381,873	684,865	260,000	362,765
Local Revenues (including partnerships & other governments)	738,929	1,027,670	881,448	1,664,726	2,004,210
Fund Balance	-	-	-	-	525,000
<b>Total</b>	<b>1,748,243</b>	<b>2,256,474</b>	<b>5,088,983</b>	<b>4,275,322</b>	<b>5,399,586</b>

**FARES**

The fares for the Transit system are set at \$0.25 per ride on most trips; however, fares are higher on some of the new demonstration routes. Fare revenue is projected by the Transit Department based upon historical trends.

**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.

**NOTE ON MAJOR ROUTE EXPANSION**

The Department entered into the process of beginning a major expansion of service. Funds were appropriated in FY 2007 to begin this process. Once begun, the Department will have large increases in both revenues and expenditures. FRED Transit is adding seven routes, for a new total of 25 routes.

**ADOPTED OPERATING AND CAPITAL BUDGET FY 2009  
PARKING FUND REVENUE ANALYSIS  
SUMMARY TABLE**

	FY 2006 Actual	FY 2007 Actual	FY 2008 Estimated	FY 2009 Adopted
Parking Garage Fees	28,563	83,520	106,916	80,000
Motor Fuels Tax	739,857	284,544	321,975	404,798
Other Revenues	25,856	94,256	70,010	25,000
Transfer from General Fund	-	43,373	30,000	-
Contributed Capital	-	-	-	-
Transfer from Capital	473,255	-	-	-
Fund Balance	-	-	-	150,000
<b>Total</b>	<b>1,267,531</b>	<b>505,693</b>	<b>528,901</b>	<b>659,798</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, and FY 2006 represents a partial year of collection and operations for the garage.

The new downtown hotel will open during calendar year 2009, which will involve the lease of 80 spaces from the garage to the hotel per agreement with the City. This will increase future revenues for the garage, but will have a limited, if any, impact during FY 2009.

**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 2008, the revenue estimate is equal to the scheduled debt service payments for the Fiscal Year. In FY 2009, the City will use surplus motor fuels taxes to cover additional operational costs that are not covered by parking fees or other revenues. In the past, the City had transferred funds from the General Fund.

**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 2009.

**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 2009  
 COMPREHENSIVE SERVICES ACT FUND REVENUE ANALYSIS  
 SUMMARY TABLE**

	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Budget	FY 2009 Budget
Revenue from the Commonwealth	699,748	579,055	706,288	739,513	842,983
Transfer from Other Funds	-	-	-	-	-
Transfer from the General Fund	430,000	531,566	681,491	749,835	769,427
Fund Balance	-	-	-	-	-
<b>Total</b>	<b>1,129,748</b>	<b>1,110,621</b>	<b>1,387,779</b>	<b>1,489,348</b>	<b>1,612,410</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 2009 and FY 2010. The City will have its state aid for this program reduced by \$28,992 in FY 2009.

**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 2009  
MOTOR FUELS TAXES REVENUE ANALYSIS  
SUMMARY TABLE**

	FY 2006 Actual	FY 2007 Actual	FY 2008 Estimated	FY 2009 Projected <sup>7</sup>
Motor Fuels Taxes	1,475,756	1,545,970	1,607,800	1,951,638
Interest Allocated to City	185,689	290,001	218,256	200,000
<b>Total</b>	<b>1,661,445</b>	<b>1,835,971</b>	<b>1,826,056</b>	<b>2,151,638</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 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 projected uses of the motor fuels taxes by the City for FY 2009.

<b>Use of Motor Fuels Tax Revenues FY 2008</b>	
FRED Operating Subsidy	444,895
Parking Garage Operations	83,305
Parking Garage Debt Service	321,493
Public Works Paving Budget	483,720
VRE Operating Subsidy	482,764
PRTC Operating Subsidy	16,600
Fredericksburg Pathways	178,000
Revenue Sharing Match	485,000
Train Station Maintenance	60,000
<b>Total</b>	<b>2,555,777</b>

<sup>7</sup> Projection from the Potomac and Rappahannock Transportation Commission – updated August 2008. Breakdown of motor fuels & interest by City staff.

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**Fund Balance Analysis – Motor Fuels Tax FY 2009**

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Projected End FY 2008 Unencumbered Fund Balance	3,138,832
Projected Use of Motor Fuels Tax During the Year	2,555,777
Projected Motor Fuels Tax Revenues	1,850,713
Projected Revenues less Projected Expenditures	(705,064)
<b>Projected End FY 2009 Fund Balance</b>	<b>2,433,768</b>

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**ADOPTED OPERATING AND CAPITAL BUDGET FY 2009  
SCHOOL GRANTS FUND REVENUE ANALYSIS  
SUMMARY TABLES**

	FY 2006 Actual	FY 2007 Actual	FY 2008 Amended Budget	FY 2009 Budget
Local School Revenues	526,796	804,054	587,024	492,684
Revenue from the Commonwealth	581,137	418,351	611,890	594,790
Revenue from the Federal Government	3,886,544	3,665,484	3,404,817	3,087,174
Transfer from Other Funds	-	-	-	-
Transfer from the General Fund	-	164,943	230,000	230,000
Fund Balance	-	-	-	-
<b>Total</b>	<b>4,994,477</b>	<b>5,052,832</b>	<b>4,833,731</b>	<b>4,404,648</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 \$230,000 in FY 2009 for this program, which is transferred from the General Fund.