

City of Charlottesville
City Manager's Office
MEMO



TO: Council
FROM: Samuel Sanders, City Manager
DATE: February 18, 2025
SUBJECT: Financial Report – FY 2025 through December 31, 2024

Revenue Budget Projections

As of December 31st, approximately 45.6% of the budgeted revenue for this fiscal year has been collected. Real Estate and Personal Property tax payments for the second half of 2024 were due on December 5th and revised estimates for real estate and personal property taxes are based on the 2025 general reassessment, which indicates residential values increased 8.60% and commercial values increased 6.48% in 2025. Overall, total assessed values are up 7.74% over 2024.

Revised revenue projections indicate that revenues are tracking slightly above the adopted budget of \$251,948,630, by \$2.4M or 1.13%. As a note of comparison, the financial report issued for the 2nd quarter last year, anticipated a revenue surplus of 4.41% or \$9.4M. We believe this difference may be an indicator that future revenue growth patterns will be more modest in comparison to the growth rates experienced over the last few years.

Sales, meals, and lodging tax revenues continue to under-perform despite the tax rate increases which were adopted for meals and lodging as part of the FY 25 budget. The decreases in these three sources of tax revenues are offset by the increases in property tax revenue but the declines are impactful. As was noted in the last quarterly report, except for the pandemic related declines, the City has not experienced underperformance since 2008 for sales tax revenue and 2009 for lodging tax revenue.

The revenue team is continuing to monitor revenues closely to try and understand the factors that may be contributing to current revenue trends and to develop FY 26 budget projections.

The following FY 25 revenue budget revisions are projected:

FY 2025 Revenue Projections

<u>Local Taxes</u>	<u>FY 2025 Budget</u>	<u>FY 2025 Revised*</u>	<u>Change</u>
Real Estate Tax	\$ 108,438,706	\$ 110,638,044	\$ 2,199,338
Personal Property Tax	13,304,762	14,481,298	1,176,536
Penalty/Interest on Delinquent Taxes	850,000	880,000	30,000
Public Service Tax	1,746,954	1,961,548	214,594
Utility Taxes	4,700,000	4,800,000	100,000
Tax on Wills & Deeds	550,000	600,000	50,000
Sales & Use Tax	15,810,000	14,000,000	(1,810,000)
Transient Room Tax	9,562,500	9,100,000	(462,500)
Meals Tax	18,217,044	18,100,000	(117,044)
Cigarette Tax	550,000	450,000	(100,000)
Short-term Rental Tax	60,000	61,000	1,000
Plastic Bag Tax	100,000	90,000	(10,000)
<u>Licenses and Permits</u>			
Building and Plumbing Permits	\$ 570,000	\$ 1,570,000	1,000,000
<u>Revenue from State Agencies</u>			
State Highway Assistance	\$ 5,591,341	\$ 5,629,814	38,473
State Aid for Police Protection	2,640,188	2,681,084	40,896
Fire Operations - UVA	360,060	402,325	42,265
UVA Service Charge	60,000	107,000	47,000
<u>Designated Revenues</u>			
Meals Tax Designated for the Debt Service Fund	\$ 3,036,174	\$ 3,000,000	\$ (36,174)

Total Revenue Budget Surplus	\$ 2,404,384
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**Projected as of December 31, 2024*

Surplus/Deficit as a % of Total Budget	1.13%
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Expenditure Budget Projections

Many City operations are seasonal and interfund transfers, which represent large expenditures in the General Fund (i.e. Debt Service Transfer, CIP transfer, Transfer to CAT, etc.), get posted as a lump sum later in the fiscal year. These factors lead to a more cyclical and irregular expenditure pattern that is harder to project. At the end of the 2nd quarter, the expenditure

budget is 58% spent which suggests that expenses are tracking well with the budget. Expenditure details can be viewed using the [Budget Explorer Tool](#) which can be found on the City's Budget webpage. These quarterly tabs are automatically updated at the end of each quarter and are available for public viewing. The 2nd quarter visualization contains financial information through December 31, 2024. Both a citywide view as well as the ability to drill down to the individual department level is available. The information presented in the visualization comes directly from the City's financial system and represents dollars that have been received and/or paid out as of the chosen date.

Other Financial Matters

Kevin Rotty, the City's Financial Advisor from PFM, will join staff this evening to provide Council with a brief economic update.

**Please note all the information presented in this memo and the Budget Explorer visualization is collected as of a specific point in time. All amounts are subject to change until the City's annual audit is complete and the books are officially closed for any given fiscal year.*