



CITY OF CHARLOTTESVILLE

To be a place where everyone thrives

To: City Council

From: Sam Sanders, City Manager
Krisy Hammill, Director, Budget and Grants Management

Date: February 17, 2026

Topic: FY 2026 Q2 Financial Review

A review of the City's Q2 financial performance for FY 2026 has been completed and some highlights have been compiled and noted within this memorandum.

General Fund

Expenditure

As of December 30, 2025, 57.76% or \$155,358,391 of the total General Fund budget has been spent or encumbered. Salary/Benefit Expenses account for \$39.6M and other expenses totaled \$115.8M.

Total General Fund spending at 57.8% through Quarter 2 indicates that spending is tracking almost exactly in line with the prior year when 58.02% of the budget had been spent at the same point in the fiscal year. This suggests that if spending continues to follow the FY 2025 trajectory, year-end total expenditures should fall within expected ranges, assuming no major policy, operational, or timing changes in the second half of the year.

Revenues

As of December 31, 2025, 45.52% or \$120,836,335 of the total General Fund Budget has been collected. Real Estate and Personal Property tax payments for the second half of 2025 were due on December 5th and revised estimates for real estate and personal property taxes are based on the 2026 general reassessment, which indicates residential values increased 4.74% and commercial values increased 2.20% in 2026. Overall, total assessed values are up 3.72% over 2025.

Current revised projections indicate that total revenues are tracking slightly over budget, by \$3.8M or 1.44%. Despite seeing several months of declining sales, lodging and meals tax revenues, the 2nd quarter performance for those revenues has rebounded and has resulted in revised projections that now anticipate collections above the amounts originally adopted for the FY26 budget.

FY 2026 Revenue Revised Projections

<u>Local Taxes</u>	<u>FY 2026 Budget</u>	<u>FY 2026 Revised*</u>	<u>Change</u>
Real Estate Tax	\$ 116,989,377	\$ 116,711,274	\$ (278,103)
Personal Property Tax	15,000,000	15,100,000	100,000
Public Service Tax	1,961,548	2,048,263	86,715
Utility Taxes	4,800,000	5,000,000	200,000
Tax on Wills & Deeds	600,000	850,000	250,000
Sales & Use Tax	14,500,000	15,300,000	800,000
Meals Tax	18,200,000	19,000,000	800,000
Lodging Tax	9,100,000	9,400,000	300,000
Tax on Bank Stock	1,171,353	1,264,385	93,032
Vehicle Daily Rental	140,000	135,000	(5,000)
Plastic Bag Tax	75,000	67,000	(8,000)
<u>Revenue from State Agencies</u>			
State Highway Assistance	\$ 5,742,410	\$ 5,810,627	68,217
Reimbursement/Constitutional Offices	2,457,327	2,485,704	28,377
State Aid for Police Protection	2,734,706	2,681,144	(53,562)
<u>Miscellaneous Revenues</u>			
Interest Income	\$ 2,700,000	\$ 3,800,000	1,100,000
Refund of Prior Year Expenses	\$ 50,000	\$ 150,000	100,000
<u>Designated Revenues</u>			
Meals Tax Designated for the Debt Service Fund	\$ 3,000,000	\$ 3,200,000	\$ 200,000

Total Revenue Budget Surplus	\$ 3,781,676
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**Projected as of January 31, 2026*

Surplus/Deficit as a % of Total Adopted Budget	1.44%
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Capital (CIP) Fund

The City's current capital budget totals \$262.1M with \$184.9M unspent budget which includes funds approved with FY26 budget and unspent funds carried over from prior years. As of the end of Q2, 29.95% or \$77.2M was spent or encumbered for various projects.

Individual project budget details can be reviewed using the Budget Explorer Tool described below.

Budget Explorer Tool

Expenditure details can be viewed using the [Budget Explorer Tool](http://www.charlottesville.gov/budget) which can be found on the City's Budget webpage at www.charlottesville.gov/budget. 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, 2025. The tool gives you the ability to review the results of other City funds in addition to the General Fund as well as the ability to drill down to the individual department expenditure detail. The information presented in the visualization comes directly from SAP, the City's financial system, and represents dollars that have been received and/or paid out as of the chosen date.

Reminder

A newly expanded CIP Quarterly Report has been added to the Budget Explorer Tool. The CIP Quarterly Report will highlight selected projects by providing more detail in depth beyond just the financials. Using this dashboard, you will be able to locate the project on a map and access detailed project summary and description information including the objectives and status of the project.