Charlottesville Schools Facilities Planning

and

Local Option Sales Tax Considerations

July 8, 2027

Agenda

- Sales Tax Legislation and Legal Process
- School Facilities Planning
- Financial and Debt Discussion
- Next Steps

Legislation Overview

- The recently enacted state budget authorizes the City, if approved by voters, to impose an additional local general retail sales tax at a rate not to exceed 1%.

- The revenue from the tax **<u>may be used only for the construction or renovation of schools.</u>**

  - *The statute also permits the revenue to be used for bond and loan financing costs related to those school construction or renovation projects.*

- The tax cannot be imposed by Council alone. It must first be approved by City voters in a referendum.

- The referendum must be initiated by a resolution of City Council.

  - *That resolution is currently slated for Council's July 20 meeting.*

- The resolution must identify the proposed tax, state the expiration date for the tax, and request that the Circuit Court order the referendum.

  - *The current draft resolution uses June 30, 2046, as the expiration date (20-year maximum)*

Important Dates

- After Council adopts the resolution, the City must file a petition with the Charlottesville Circuit Court requesting entry of an order placing the referendum on the ballot.
  - *The referendum must be ordered by the court at least* ***81 days*** *before the date for which the referendum election is called.*
  - *For the* ***November 3, 2026****, general election, the 81-day deadline is* ***August 14, 2026****.*
- If a majority of the voters approve the referendum, Council must then adopt an ordinance to impose the tax
  - *The tax will go into effect on the first day of a month at least* ***120 days*** *after the ordinance is adopted.*

School Facilities Working Group
Facility Needs Report

Working Group Comprised of staff representing:

City Public Works Capital Development Division

Budget Office

Sustainability Office

Charlottesville City Schools.

Charlottesville Middle School

Project: Construction of new building and major renovation of Buford Middle School

Cost: $94M

Construction nearing completion

Charlottesville Early Learning Center

Project: Construction of new school on Walker Campus

Cost: $55M (Approx)

Design Underway Currently

Charlottesville High School

(1975)

Project: New Addition and renovation of existing buildings

Cost: $150M (Estimated)

Jackson Via Elementary

(1968)

Project: New School Construction

Cost: $75M (Estimated)

Greenbrier Elementary

(1962)

Project: Major interior upgrades and construction of new entry vestibule

Cost: $50M (Estimated)

Summit Elementary

(1930)

Project: Interior reconfiguration and interior upgrades

Cost: $35M (Estimated)

Trailblazer Elementary

(1925)

Project: Classroom general interior renovation

Cost: $25M (Estimated)

Sunrise Elementary

(1958)

Project: Classroom general interior renovation

Cost: $25M (Estimated)

Tall Oaks Elementary (1955)

Project: Classroom general interior renovation

Cost: $25M (Estimated)

CATEC

(1973)

Project: Interior Modernization

Cost: $10M (Estimated)

Overall Program Cost

Committed: $149M

Anticipated:$395M

Program Risks

-Many localities may be accessing similar funding concurrently, which could lead to abnormal cost escalation

-City project delivery capacity may become strained if multiple programs generate large projects consistently and simultaneously.

How Much Revenue Does 1% Generate?

- The current state-wide sales tax rate is 5.3%. 1% is remitted to the localities and 4.3% goes to the Commonwealth
- Over the last decade, growth for sales tax revenue has averaged 2.9% annual growth
- In FY 25 the City collected $14.2 million, FY 26 is projected at $15.6M and $16M is projected for FY27
- Per the legislation, the additional 1% local school sales tax would not apply to food purchased for human consumption or essential personal hygiene products, which we are currently estimating to account for 20% of the total sales tax collection

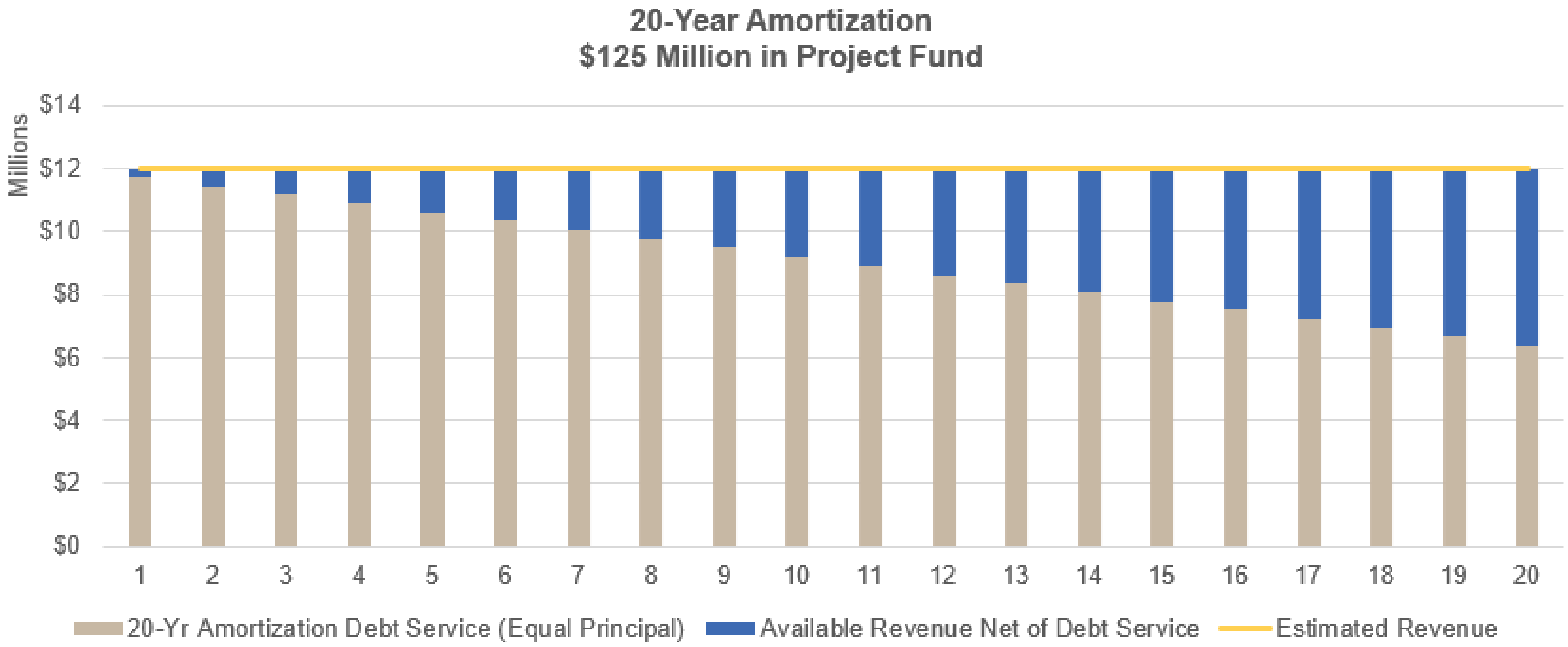
Approximately, $12 million a year after applying the 20% "haircut"

Estimated Projects Funded with Bonds

	Approximate Debt Issuance*		
Potential Annual Local Sales Tax Revenue	**1.0x Coverage**	**1.5x Coverage**	**2.0x Coverage**
$10 million	$105 million	$75 million	$55 million
$12 million	**$125 million**	**$85 million**	**$65 million**
$14 million	$150 million	$100 million	$75 million

Source: Virginia Department of Taxation, Taxable Sales Data by Locality Year 2025
* Assumes 20-year equal principal amortization with a 4.5% interest rate.

Projected Debt Service and Available Revenue



		Over 20 Years
A	Total Revenue	$240M
B	Bonded Amount	$125M
C	Total Debt Service	$184M
D	Amount Available for Paygo	$55M
B + D	**Total Cash Flow over 20 Years**	**$180M**

Note: Assumes a discount / interest rate of 4.5% and equal principal amortization

City's Current Debt Profile

- **Total Outstanding Debt**: $207 million as of 6/30/26
  - *$148.6 million is general obligation debt*
  - *$58.5 million is self-supporting utility debt*

- **Annual Debt Service Payment**: $18,611,723 or 6.7% of General Fund Budget (FY27)
  - *Projected to increase to $26.4 million or 8.4% in FY 28 (5-years)*

- **Planned Future Debt:** $147 million over the next 5-years with $54.25 million allocated for school related projects

- **Debt Policy:** Debt service cannot exceed 10% of the General Fund's total expenditure budget, with a target set at 9%.

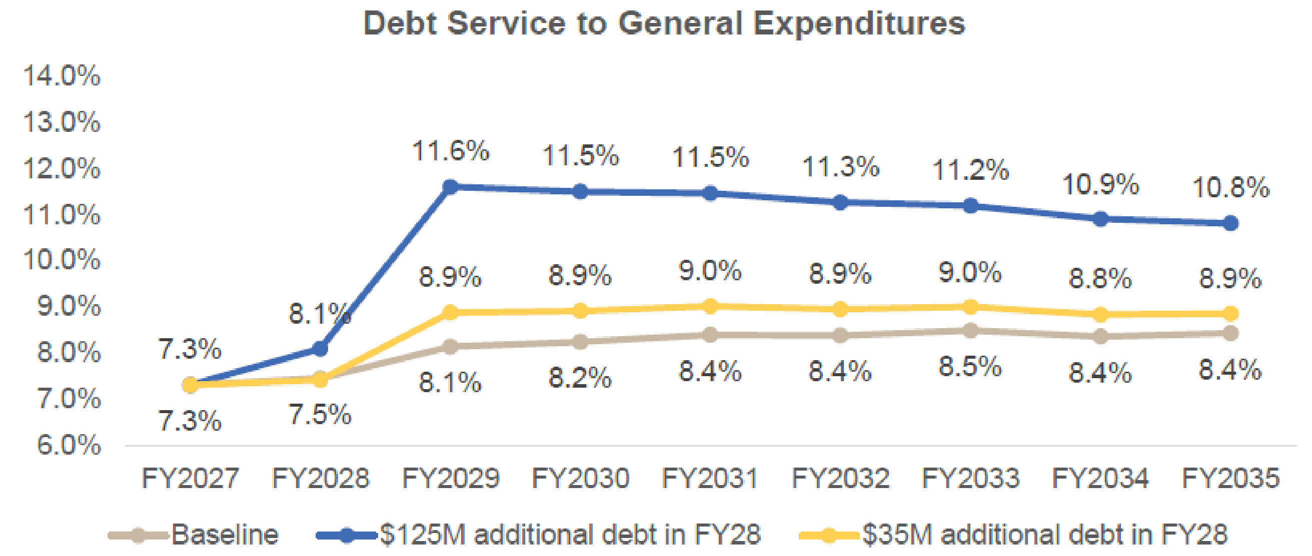
FY 27 Debt Projection**

	"Planning"				"Consequences"			
Fiscal Year	Bond Issue Amount [1]	Annual Debt Service [2]	General Fund Expenditure Budget [3]	Ratio of Debt Service to Total General Fund Expenditures	General Fund Transfer[4]	$ Increase	Additional Funds Added	Debt Service Fund Balance[5]
2016	11,125,466	9,128,798	156,391,435	5.84%	9,279,578	-		11,962,480
2017	11,140,000	10,103,067	162,018,737	6.24%	9,817,330	537,752		11,880,013
2018	4,610,000	10,615,335	171,657,127	6.18%	10,371,750	554,420		11,905,368
2019	9,520,000	10,375,167	179,725,535	5.77%	11,003,348	631,598		12,830,074
2020	-	10,743,891	188,863,920	5.69%	11,049,584	46,236		13,410,785
2021	22,655,000	10,684,789	191,195,873	5.59%	10,354,393	(695,191)		13,225,476
2022	18,350,000	11,542,935	192,212,843	6.01%	11,215,048	860,655		12,987,105
2023	14,470,000	13,124,456	212,889,291	6.27%	13,072,874	1,857,826	4,494,225	18,230,615
2024	51,950,000	13,968,703	228,433,246	6.12%	13,559,019	486,145	-	18,655,621
2025	21,695,000	18,183,037	251,948,630	7.22%	13,725,940	166,921	-	15,359,722
2026	20,000,000	19,100,376	265,248,446	7.20%	15,320,000	1,594,060	1,464,765	13,737,111
2027	25,000,000	20,411,721	279,414,659	7.31%	15,850,000	530,000	-	9,807,390
2028	40,000,000	21,447,552	287,797,099	7.45%	18,114,600	2,264,600	-	6,474,439
2029	25,000,000	24,118,066	296,431,012	8.14%	20,495,692	2,381,092	-	2,852,064
2030	25,000,000	25,154,355	305,323,942	8.24%	23,080,682	2,584,990	-	778,390
2031	20,000,000	26,402,425	314,483,660	8.40%	25,658,623	2,577,941	-	34,589
2032	20,000,000	27,147,308	323,918,170	8.38%	27,909,785	2,251,162	-	797,065
2033	20,000,000	28,316,186	333,635,715	8.49%	28,481,109	571,324	-	961,988
2034	20,000,000	28,729,307	343,644,787	8.36%	28,753,859	272,750	-	986,540

**Estimates and subject to change

Internal Debt Metrics

- Assuming annual debt issuance based on the FY2027 CIP, the City's debt service ratio (i.e., debt service as a % of General Fund expenditures) is projected to increase to approximately 8.5% over the next decade
- Assuming the schools debt issuance funded by the local option sales tax is counted as general obligation debt and not self-supporting debt, an additional $125 million in debt issuance in FY2028 would push the ratio beyond the 10.0% policy maximum
- To keep the ratio below the 9.0% policy target, the maximum issuance would be $35 million*

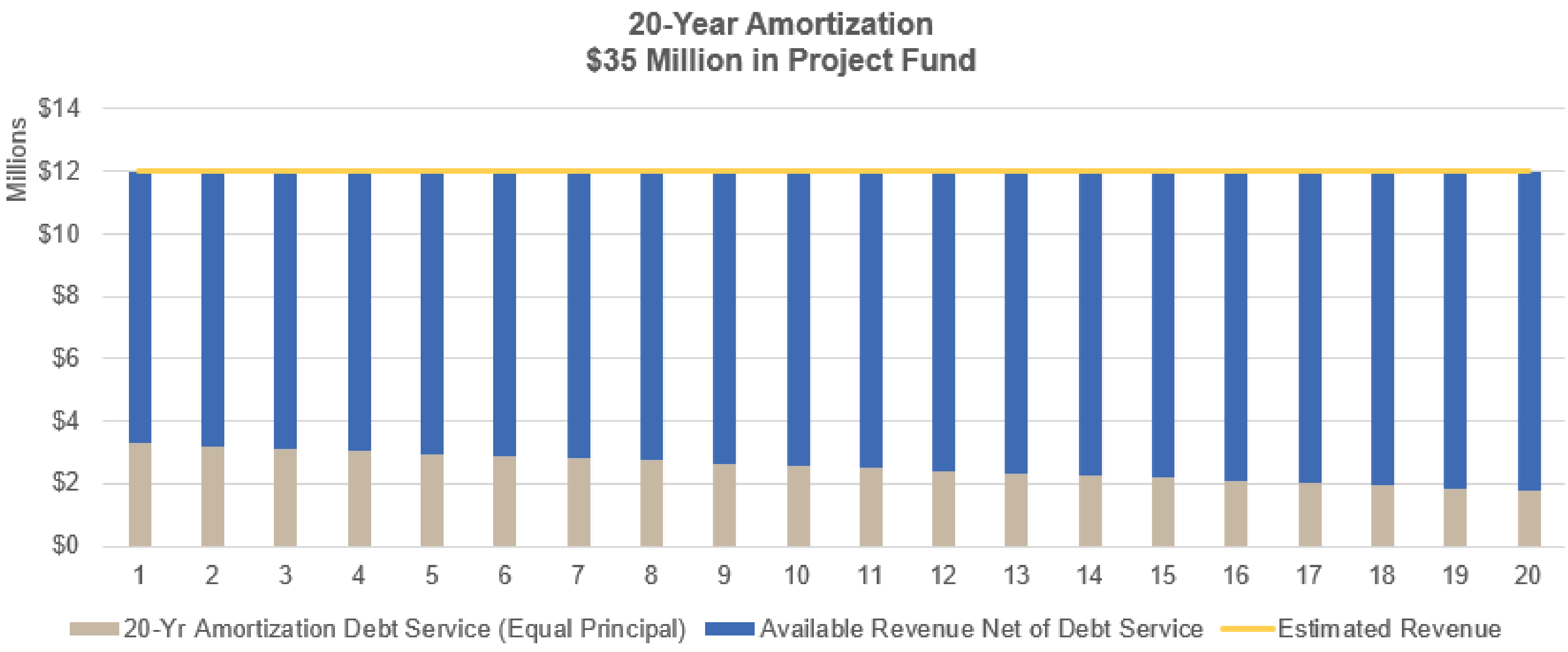


Debt Service Ratio
Target: 9.0%
Not to Exceed: 10.0%

	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Baseline Debt Issuance	$25M	$40M	$25M	$25M	$20M	$20M	$20M	$20M	$20M

Note: Both sales tax revenue and General Fund expenditures are projected to increase by 3.0% annually
Baseline debt service excludes self-supporting (water, wastewater, and stormwater) debt, consistent with how the City reports its debt service in accordance with its policy.
* Assumes interest rate of 4.5% and equal principal amortization

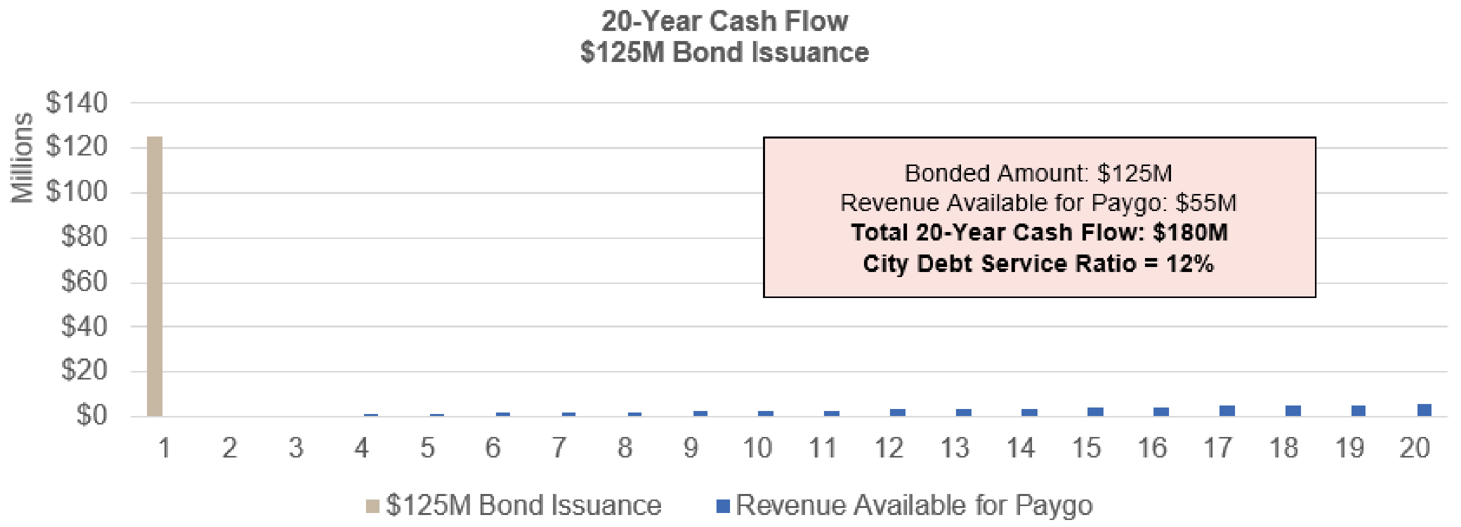
Projected Debt Service and Available Revenue

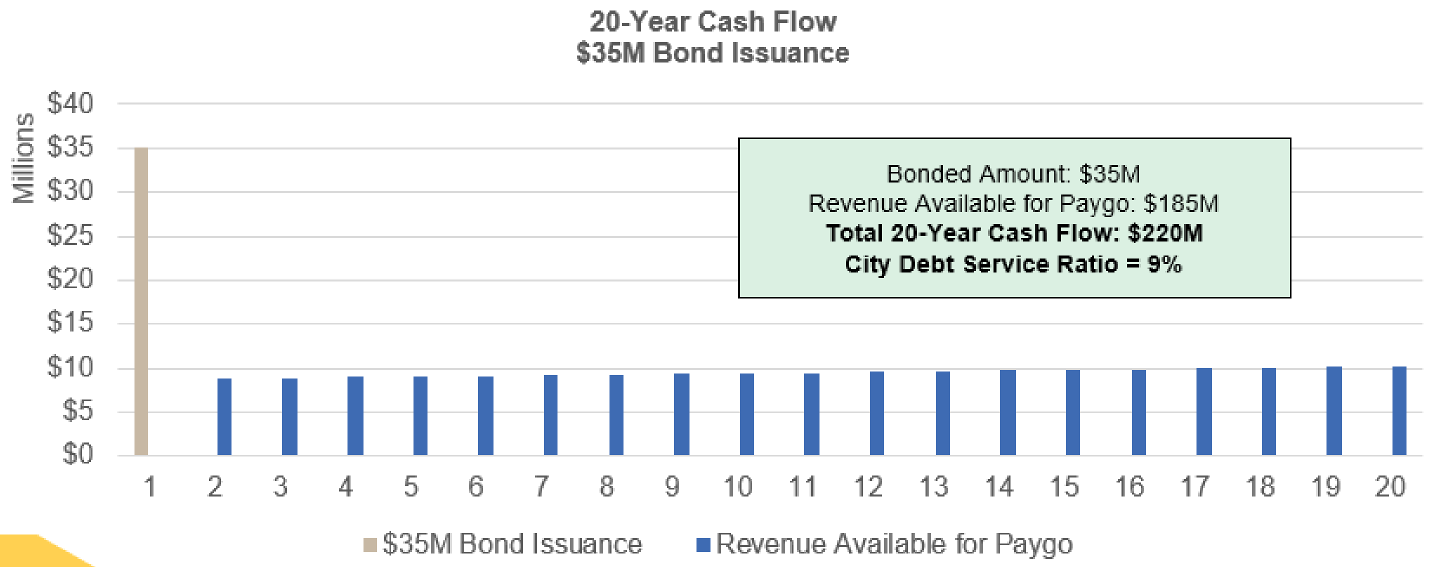


		Over 20 Years
A	Total Revenue	$240M
B	Bonded Amount	$35M
C	Total Debt Service	$52M
D	Amount Available for Paygo	$185M
B + D	Total Cash Flow over 20 Years	**$220M**

Note: Assumes a discount / interest rate of 4.5% and equal principal amortization

Cash Flow Comparison





Next Steps

1. July 20 – Council to adopt resolution
2. August 12 – Joint City Council / School Board meeting
3. August 14 – Last Date to Receive Order from Circuit Court to Place Referendum on the ballot
4. November 3 – General Election including Referendum
5. Council to Adopt an ordinance to adopt the tax
6. Tax to take effect 120-days after the date of the Ordinance

Thank You