Joint City Council/School Board Budget Work Session

December 2, 2026

Agenda

- How did we get here?
- Multi-City Review of Municipal School Allocations
- Review the Charlottesville City School Funding Guideline Model
- School Debt Service and Construction Projects
- FY 28 Preliminary Budget Request

How did we get here?

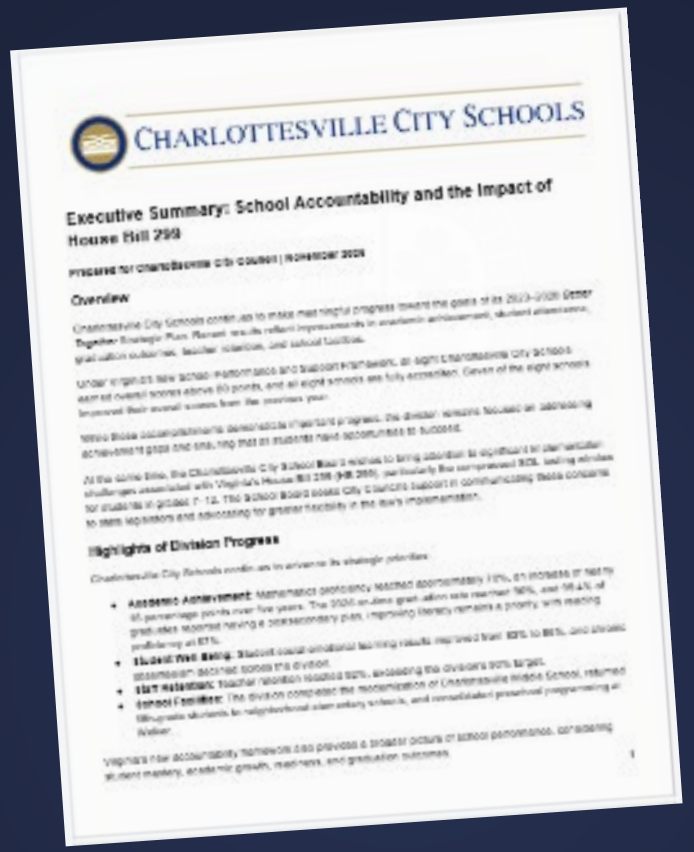
- City Schools
  - The current funding allocation methodology does not adequately address the needs of the school division.

- City Government
  - How do we balance the City's fiscal priorities while ensuring the school division receives the resources necessary to meet its needs?

2025-26 Impact Report: Highlights

- **70% of students achieved proficiency in math** on the state Standards of Learning (SOL).
  - *15% higher than just 5 years ago*
- Harvard, Stanford, Dartmouth research consortium named CCS one of five **Districts on the Rise** in Virginia for our "unusual progress" on post-pandemic learning recovery.
- Niche.com named CCS the **18th best school district** and **12th best place to teach in Virginia**





CHARLOTTESVILLE CITY SCHOOLS

Executive Summary: School Accountability and the Impact of House Bill 299

Prepared for Charlottesville City Council | November 2025

Overview

Highlights of Division Progress

Read CCS's Executive Summary on school accountability and the impact of House Bill 299
LINK TBD

Even as Virginia's new accountability system changes expectations through higher proficiency (cut) scores, more rigorous English and math standards, earlier inclusion of English learner scores, and smaller student group sizes…

In 2025-26, all Charlottesville City Schools were fully accredited and met the state accountability benchmark of 80 points

Multi-City Review of Municipal School Allocations

How Does Charlottesville City Schools Compare?

School Revenue Sharing Mechanisms

Locality	Agreement Type	Formula / Mechanism	Revenue Base	Key Features
Charlottesville	Policy-based (incremental)	≥ 40% new real estate & personal property tax	General Fund + revenue growth	Base appropriation + growth share
Virginia Beach	Formal formula	46.75% non-dedicated General Fund revenues	Non-dedicated local tax revenues	Excludes dedicated revenues; shared sources include real estate, personal property, general sales, utility, business license, restaurant meals, and telecommunications taxes
Albemarle County	Formula (incremental)	54% increase in shared local tax revenues	Shared local tax revenue growth	Growth only; FY27 reduced by $6.4M
Newport News	No formal formula	Annual transfer	General Fund recurring revenues	No codified formula
Norfolk	Formal sharing formula	29.55% share of 15 local tax sources	15 non-dedicated local tax sources	Local Revenue Allocation Policy (FY20)
Richmond	No codified formula	Annual appropriation	General Fund	Informal practice; tracks General Fund growth

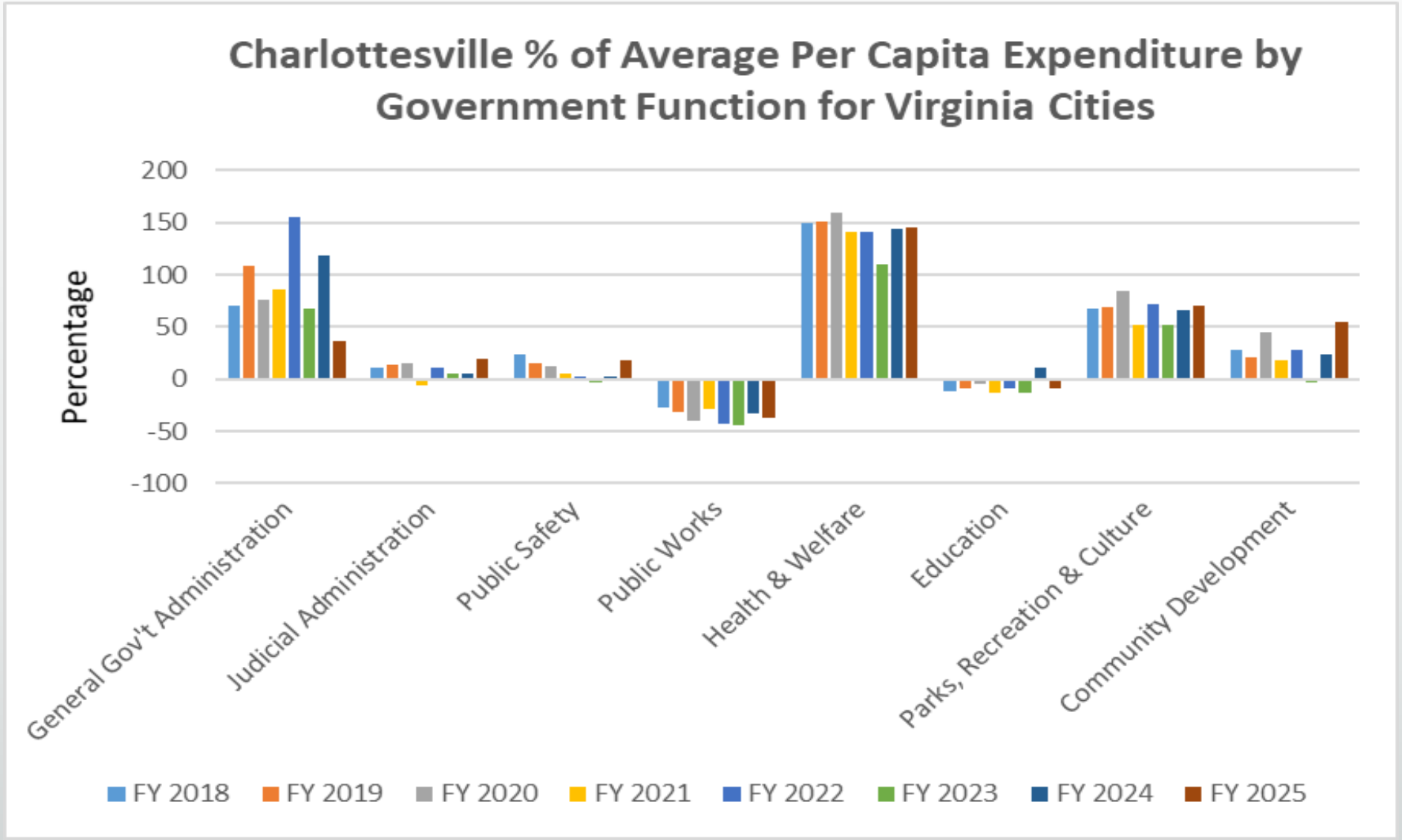
Reference: PFM – City Financial Advisors

FY 26–27 Municipal Allocations to City Schools

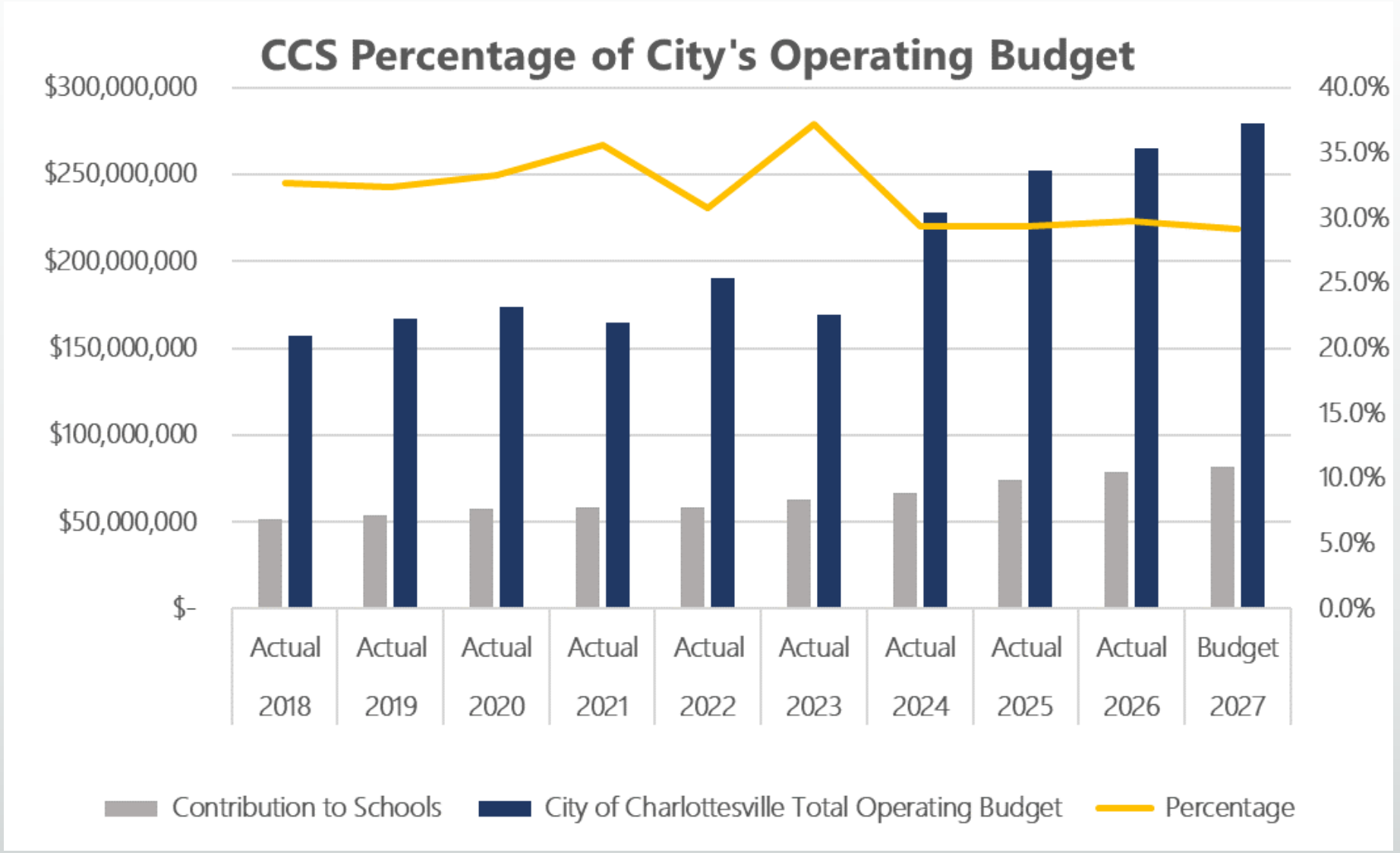
Note: Percentages reflect the share of each city government's total municipal budget allocated to public schools

Locality	26-27 Budget	2026-2028 Composite Index	Formula Status & Notes
Charlottesville City	32.89%	.7666	Relationship model with city
Virginia Beach City	43.30%	.4172	Formula-based (see previous slide)
Harrisonburg City*	35.90%	.3031	No funding formula (*includes debt service)
Manassas City	29.41%	.3285	No funding formula
Alexandria City	29.20%	.8000	No funding formula
Danville City	28.85%	.2430	No funding formula
Falls Church City	43.20%	.8000	Formula-based

Auditor of Public Accounts – Comparative Report Of Local Government



City Schools as Percentage of City Budget



Reflections

- What have you noticed?
- What are you wondering?
- What questions do you have for the staff, city council or school board?

Review the Charlottesville City and City Schools Funding Guidelines

Current Guidelines:
Base allocation of the previous year plus 40% of projected new personal property and real estate tax

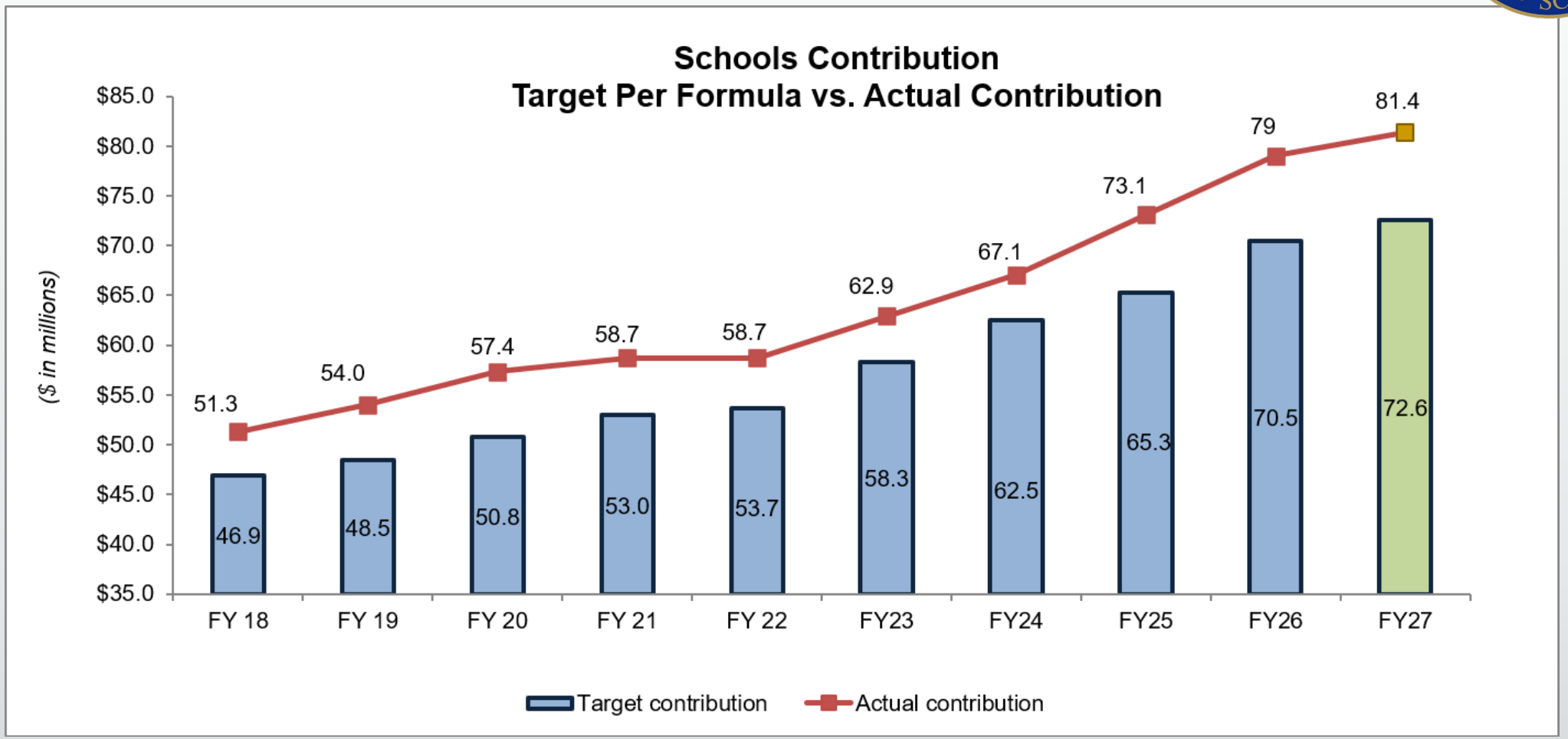
City Funds and Services Allocated to City Schools Annually

Description	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
City Total General Fund Budget	192,212,843	212,889,291	228,433,246	251,948,630	265,248,446	279,414,659
Less Budgets for CCS Contracted Services	(7,073,146)	(7,841,943)	(8,750,586)	(9,479,054)	(9,970,321)	(10,272,139)
Adjusted General Fund Budget	185,139,697	205,047,348	219,682,660	242,469,576	255,278,125	269,142,520
Contribution to CCS	58,709,623	62,925,964	67,092,134	74,092,134	79,026,522	81,436,169
Less Contracted Services	(7,073,146)	(7,841,943)	(8,750,586)	(9,479,054)	(9,970,321)	(10,272,139)
Debt Service Paid for School CIP Projects	2,436,091	3,320,923	3,081,480	6,896,353	7,995,023	8,183,563
Annual General Fund Allocation to Schools	54,072,568	58,404,943	61,423,028	71,509,433	77,051,224	79,347,593
% of Property Tax Growth Allocated to CCS	60.07%	57.55%	54.84%	60.13%	58.38%	57.81%

Additional Services Provided - Costs Not Quantified

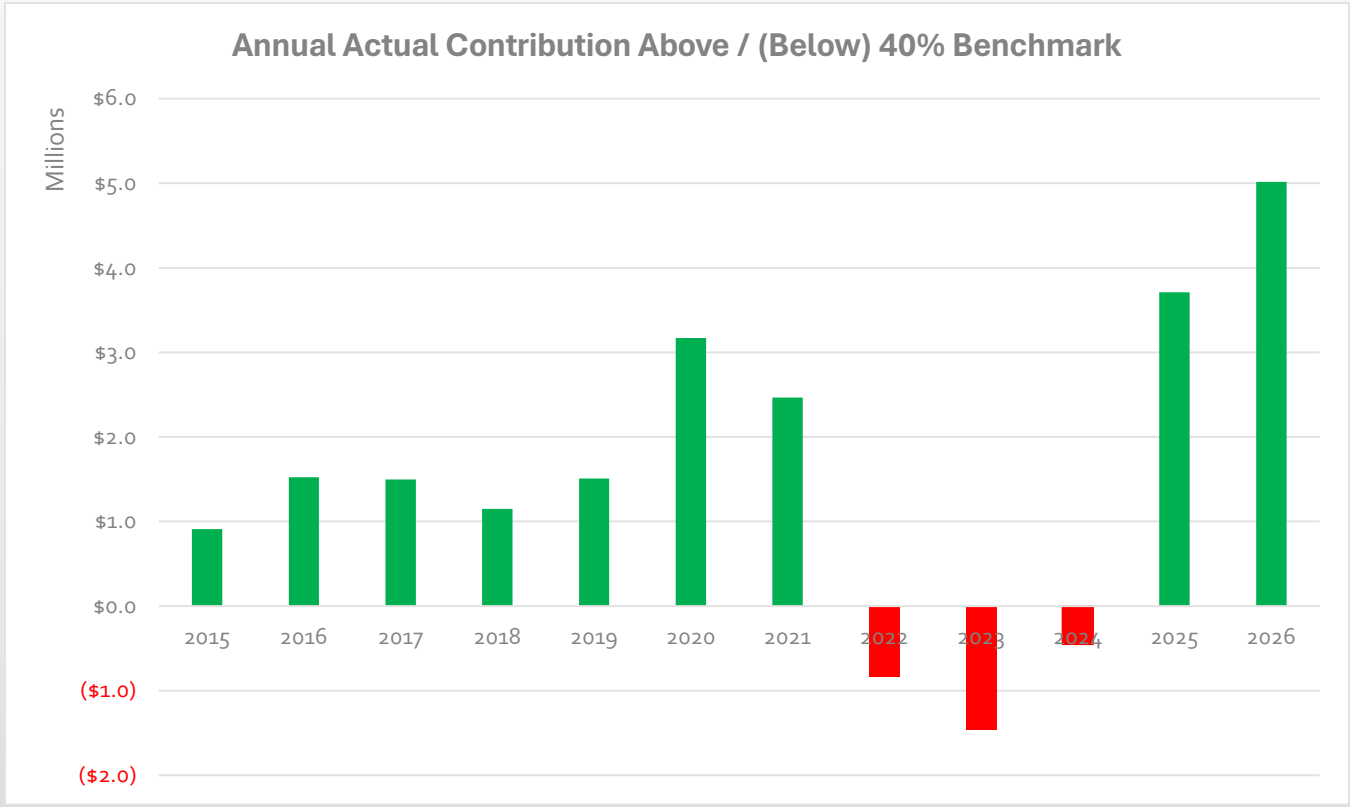
1 FTE - Project Manager
Energy Management Services
Parks and Recreation Services
Fleet - Administration Services
SROs

10 Year Funding Summary



Comparison of the 40% Formula Performance Against Actual Contribution

Annual comparison			
Year	Budgeted Contribution	40% Benchmark Actual Revenues	Variance
2015	$45,699,058	$44,786,599	**$912,459**
2016	$47,342,848	$45,819,973	**$1,522,875**
2017	$49,330,604	$47,831,583	**$1,499,021**
2018	$51,330,604	$50,183,291	**$1,147,313**
2019	$53,998,202	$52,489,352	**$1,508,850**
2020	$57,366,623	$54,197,486	**$3,169,137**
2021	$58,709,623	$56,242,538	**$2,467,085**
2022	$58,709,623	$59,545,980	**($836,357)**
2023	$62,925,964	$64,388,768	**($1,462,804)**
2024	$67,092,134	$67,541,134	**($449,000)**
2025	$74,092,134	$70,381,057	**$3,711,077**
2026	$79,026,522	$74,011,048	**$5,015,474**



Actual contribution exceeded hypothetical in 9 of 12 years because of the additional funds budgeted over and above the formula amount.

40% Guideline Performance Summary

Contribution Performance vs. 40% Benchmark

2015–2026 actual school contributions compared with the hypothetical contribution based on 40% of new year-end actual revenue

ACTUAL CONTRIBUTIONS	40% BENCHMARK	EXCESS ABOVE BENCHMARK	PREMIUM TO BENCHMARK
$705.6M	$687.4M	$18.2M	2.6%

Executive summary

- Actual contributions totaled $705.62M—$18.21M (2.6%) above the 40% hypothetical benchmark across 2015–2026.
- The cumulative advantage remained positive throughout, narrowing to $9.48M by 2024 before finishing at $18.21M.

Major Revenue Sources

Revenue Source	FY 2028 Projection*	% of General Fund Total Revenues	Current Budget Policy Allocation
Real Estate Taxes	$ 127,716,353	44.4%	40% Growth Dedicated to Schools
Meals Tax	23,451,005	8.2%	1% Dedicated to Debt Service
City/County Revenue Sharing	21,880,000	7.6%	Designated for the CIP 3% Paygo Policy
Sales & Use Taxes**	16,422,000	5.7%	** New for FY28 - 1% will be dedicated for School Construction Projects*
Personal Property Taxes	15,700,000	5.5%	40% Growth Dedicated to Schools
Business & Professional Licenses	11,424,000	4.0%	N/A
Transient Occupancy Tax	10,506,000	3.7%	N/A
TOTAL	**$ 227,099,358**	**79.0%**	

Total GF Revenues	**$ 287,429,132**

** Estimates and subject to Change*

***Estimate excludes additional 1% which will be dedicated to School Construction Projects*

These seven major revenue sources contribute **$227.1 million or 79.0%** of the total General Fund revenue. Most of these sources already carry policy commitments which limits their flexibility for other priorities.

Revenue Stability and School Funding

Revenue Source	Implication for School Funding
Real Estate Taxes	Typically the strongest anchor: property remains taxable when consumer spending slows, and assessments provide a measurable base for forecasting.
Personal Property Taxes	Asset-based and recurring, but less stable than real estate because vehicle values, depreciation, and ownership can fluctuate.
Meals Tax	More sensitive to restaurant spending and changes in consumer behavior.
Sales & Use Taxes	Respond to household spending and economic conditions.
Business & Professional Licenses	Sensitive to business activity, receipts, and closures.
Transient Occupancy Tax	Depends on travel, hotel demand, and visitor spending.
City/County Revenue Sharing	May be predictable under its agreement, but the revenue table designates it for capital funding under the CIP 3% Paygo policy.

Real estate and personal property taxes generally provide a more predictable foundation for school funding because they tax an existing asset base—not discretionary spending. Linking school funding to 40% of growth in these revenues supports predictable planning for ongoing costs.

Preliminary FY28 Revenue Projection

ESTIMATED TOTAL REVENUE GROWTH

$8.0M

+2.85% vs. FY27 adopted

PROPERTY-TAX SHARE OF GROWTH

77%

≈ $6.0M of the increase

SCHOOL GUIDELINE ALLOCATION

$2.5M

Using the 40% guideline

Real estate	**+$5.56M**	Personal property	**+$0.60M**

Caveats

This preliminary projection is subject to change. It does not include City–County revenue-sharing adjustments and reflects only one quarter of current fiscal-year results. The Revenue Team will continue meeting regularly through early February to refine FY 28 projections.

Reflections

- What have you noticed?
- What are you wondering?
- What questions do you have for the staff, city council or school board?

Opening Discussion

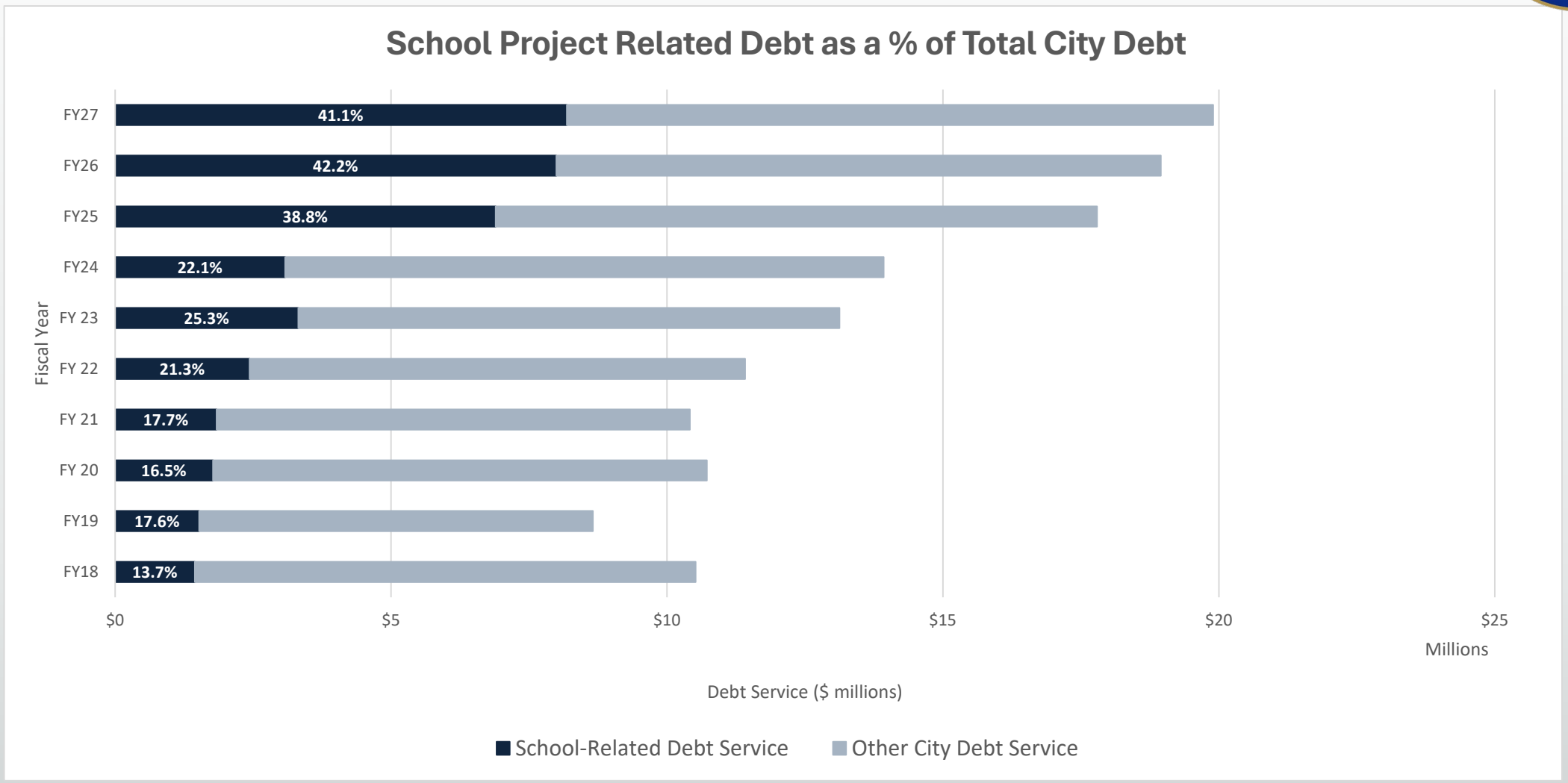
Do we want a formal School Funding formula?

Formal Formula
Predictable rules
Fixed Amount

Informal Guidelines
Annual flexibility
Adjust to priorities

Schools Debt Service and Construction Projects

Portion of Debt Related to School Projects



Portion of Debt Related to School Projects

Debt Service Summary | FY19–FY27			
Fiscal Year *	Total Annual Debt Service	Debt Service School Projects	School Debt % of Total
2019	$8,658,615	$1,523,271	17.6%
2020	$10,721,937	$1,771,293	16.5%
2021	$10,415,180	$1,839,538	17.7%
2022	$11,415,809	$2,436,091	21.3%
2023	$13,124,456	$3,320,923	25.3%
2024	$13,928,524	$3,081,480	22.1%
2025	$17,792,358	$6,896,353	38.8%
2026	$18,950,375	$7,995,023	42.2%
2027	$19,896,173	$8,183,563	41.1%

* Amounts for Fiscal Year 2027 are estimated

How should we balance debt service, school construction, and 1% Sales Tax revenues?

Debt Service
Paying down existing bonds

School Construction
Funding new buildings and renovations

1% Sales Tax
Dedicated revenue to support debt service and school construction

What is your preference? (Choose one)

- Leave the current guidelines in place

- Update guidelines to reflect spending realities since FY18 (helps to inform CB work for city and schools)

- Create a formal funding formula

FY 28 Preliminary Budget Request

Preliminary City Schools Request

Salary Actions (Including Benefits Excludes Health Insurance)	Raise Rate (Includes Step)	Cost Impact
Administration	5.50%	$ 541,548
School Support Professionals	10.50%	1,439,784
Licensed Personnel	5.50%	2,885,584
Vacancy Savings		-2,004,889
Subtotal: Salary Action		**$ 2,862,027**
Additional Personnel Costs		
Implementation of Administrative Compensation Study		$ 1,796,976
Health Insurance Cost Increase		990,162
Total Personnel Cost Increase		**$ 5,649,165**
Funding & Budget Gap		
Less: Preliminary City Appropriation		$ (2,500,000)
Net Funding Gap		**$ 3,149,165**

Questions, Comments, Concerns