**Attachment B – Allocation of Shared Revenues Analysis**

The Board of Supervisors' Financial Management policies currently include the following statement, which provides guidance to County Government staff when developing the annual County Executive's Recommended Budget as well as to Public Schools staff when preparing the School Board's Requested Budget, both of which are prepared for Board of Supervisors consideration:

> *The County shares the increase or decrease in available shared revenues among the County Government and Public Schools operating, debt service, and capital budgets.*
>
> - *When developing the budget, the County calculates the increase or decrease in General Fund local tax and State non-categorical aid revenues.*
> - *This amount is adjusted for changes in expenses that reduce available shared revenue: City of Charlottesville revenue sharing, Tax Relief programs, Economic Development Authority tax-related performance agreements, and the designated transfer to the Water Resources Fund.*
> - *The remaining amount is allocated 54% to the Public Schools operating budget, 36% to the County Government operating budget, and 10% for the joint County Government and Public Schools debt service and capital budgets.*
> - *This guideline may be reviewed annually with Board of Supervisors' approval.*

**FY 26 Adopted Budget Process**

In the FY 26 Adopted Budget, the Allocation of Shared Revenues applied to all shared revenues other than the 4.0 cent increase in the real estate tax rate. Revenues from those 4.0 cents were allocated as follows: 3.2 cents for Public Safety expenses, 0.4 cents for Affordable Housing expenses, and 0.4 cents for Public Schools operating expenses.

During the budget process, the Board by consensus directed that the affordable housing amount and the future change in the value of that amount be dedicated to the Affordable Housing Investment Fund. The recommended policy language in Attachment A is consistent with that direction.

The Board requested further discussion on similarly dedicating the change in the value of the 3.2 cents increase in the real estate tax rate that was dedicated to public safety. On March 12, 2025, the Board discussed "how should the **change** in the value of 3.2 cents dedicated to Public Safety be calculated in the "Allocation of Shared Revenue" formula?" Staff presented two options and did not recommend one over the other:

> **Option A:** The change in the value is split by the guideline of 54%/36%/10% (current policy)
>
> **Option B:** The change in the value is Dedicated 100% for public safety expenses

Staff presented the following considerations to the Board:

1. **Alignment with existing policy intent**: Both options support the policy intent to have a guideline, and that it may be reviewed annually with Board of Supervisors approval.

2. **Complexity:** Option B adds an additional step in the calculation; however, the calculation remains much simpler than the pre-2022, when the Board streamlined the formula. Staff does not view the additional step in calculation as a barrier to implementation.

3. **Communication to residents**: Which provides simpler communication for Board members?

4. **Long-term Financial Planning:** If shared revenues increased 5.5% from FY 26 to FY 27, which is the 10-year average growth excluding tax rate changes and the high and low change years, the following table shows the impact of Option B compared to Option A.
    - Option B would reduce recommended Capital Improvement Plan (CIP) revenues by approximately $54,000 in FY 27. This is not a reduction in Capital and Debt funding compared to the FY 26 Adopted Budget, it is less of an increase in FY 27. The amount of $54,000 is approximately 0.1% of the FY 26 Adopted transfer to Capital and Debt.
        - Additionally, Option B would reduce a combined $273,000 over 5 years in the upcoming FY 27 -31 CIP.
        - These amounts would not likely impact an existing or a new major capital project in the CIP, but it does reduce overall affordability for future CIP projects.
    - Option B would provide approximately $294,000 less than Option A for Public Schools' operations. This is not a reduction in Public School operating funding compared to the FY 26 Adopted Budget, it is less of an increase in FY 27. This amount is approximately 0.1% of the FY 26 Adopted transfer to Public School operations.
    - Option B would provide approximately $349,000 to address future public safety challenges, such as those discussed at the October 15, 2025 work session. The growth would continue in future years and while impactful, it would not address all recommendations from the Public Safety studies. This amount is approximately 0.4% of the FY 26 Adopted public safety operating budget (Police Department, Fire Recue system, and partner agencies) that totals $78.3 million.

| | FY 26 Adopted | FY27 - Option A | | FY 27 - Option B | | Option B compared to Option A |
|---|---|---|---|---|---|---|
| | | $ Change | % Change | $ Change | % Change | $ Difference |
| Water Resources | 2,168,606 | 119,273 | 5.5% | 119,273 | 5.5% | 0 |
| Affordable Housing | 1,239,203 | 68,156 | 5.5% | 68,157 | 5.5% | 0 |
| Capital & Debt | 43,340,973 | 2,084,765 | 4.8% | 2,030,240 | 4.7% | (54,525) |
| Public Schools - Ongoing | 209,302,695 | 11,257,732 | 5.4% | 10,963,298 | 5.2% | (294,435) |
| County Gov., including Public Safety | 148,478,151 | 7,505,155 | 5.1% | 7,854,114 | 5.3% | 348,959 |
| **Total** | **404,529,628** | **21,035,082** | 5.2% | **21,035,082** | 5.2% | **0** |

Notes:
Based on a scenario of 5.5% in shared revenue growth, actual amount will likely vary in the FY27 Recommended Budget
In Option B, the $348,959 in additional revenue would be allocated to Public Safety expenses

**November 19, 2025 Recommendation**

At the March 12, 2025 work session, a majority of the Board did not direct a change to how the change in the value of the 3.2 cents would be allocated; therefore, language for such a change is not included in the proposed policy language at this time. However, the Board may direct a change in the future either by policy or as stated in the current policy (annually in the budget development process). During the upcoming annual budget process, the Board will have additional information about the specific service and funding circumstances for County Government and Public Schools.