

Title: City/School Revenue Sharing Policy Alternative Version		Index Number:
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1. Purpose

- 1.1. This policy (the "Policy") is to establish a procedure for allocating Local Tax Revenues between to the City and to the Public Schools System revenues estimated to be available in any given fiscal year. It is the intent of this Policy to provide a planning and allocation tool that yields sufficient funding to maintain Virginia Beach City Public Schools' academic success as well as the City's strategic goals.
- 1.2. This Policy is designed to accomplish these goals by providing better planning for school funding by clearly and predictably sharing local revenues. It provides a balance between the funding requirements for School and City programming. This Policy seeks to provide a diverse stream of revenues that mitigates dramatic changes in the economy by relying upon all local ~~tax~~ General Fund tax revenues that are under the City Council's control, rather than a subset of those revenues. It also recognizes decisions by the City Council to dedicate some of these same revenues to City and School priorities outside of the formula discussed herein. ~~This Policy seeks to rectify some of the concerns with the past formula by linking City funding to the School directly to the State Standards of Quality ("SOQ") which periodically takes into account changes in student enrollment, true property value, adjusted gross income, taxable retail sales, and population.~~ Notwithstanding anything in this Policy, at no time shall the City's funding for Schools be less than that required by Virginia law for the maintenance of an educational program meeting the Standards of Quality as established by the General Assembly and required by the Virginia Constitution.

2. Definitions:

- 2.1. "City" refers to the City of Virginia Beach exclusive of the Virginia Beach City Public Schools.
- 2.2. "Schools" refers to the Virginia Beach City Public Schools.
- 2.3. "Local Tax Revenues" refers to all General Fund revenues generated by non-dedicated local taxes: real estate (less dedications such as the ~~dedication for Schools, and the Outdoor Initiative~~); Personal Property (~~less dedication for public safety~~); General Sales; Utility; Virginia Telecommunications; Business Professional and Occupational License (BPOL) Tax; ~~Cable Franchise~~; Cigarette (less dedication for Economic Development Incentive Program (EDIP)); Hotel ~~Room~~; Restaurant Meals; Automobile License; Bank Net Capital; City Tax on Deeds; and City Tax on Wills.
- 2.4. "Dedicated Local Tax" refers to taxes that have been previously obligated by the City Council or State law to support specific projects or programs. Examples of dedicated local taxes that are excluded from this Policy include, but are not limited to: Tax Increment Financing District Revenues; Special Services Districts Revenues; ~~the dedication to Schools (4 cents of the real estate tax)~~; taxes that represent "net-new

revenues” and are required to be redirected or are the basis for the calculation of an incentive payment as part of a public-private partnership approved by City Council; taxes established to support Open Space; Agricultural Reserve Program; Tourism Advertising Program; Tourism Investment Program, referendum related taxes, and taxes used to support the BRAC project. A more complete discussion of such dedications is found in the Executive Summary and Operating Budget each year.

- 2.5. “Formula Percentage” means the percentage applied to the Local Tax Revenues to arrive at the Formula Revenues.
- 2.6. “Formula Revenues” means the amount of revenue the Policy provides for funding the Schools.
- 2.7. “General Fund Balance Reserve Policy” means the Policy adopted by the City Council on May 11, 2004, which sets a range of 8% to 12% of the following year’s budgeted revenues as the required undesignated fund balance.
- 2.8. “Net-new Revenues” as used in Section ~~2.3~~ 2.4 means public-private partnership revenues generated by a project (or property) that exceed the Local Tax Revenues prior to the public-private partnership.
- 2.9. “Revenue Sharing Formula” refers to the method of sharing Local Tax Revenues between the City and the Schools.
- 2.10. “Budgeted Local Tax Revenues” refers to the appropriation of revenues by City Council in May each year for the upcoming fiscal year beginning July 1.
- 2.11. “Actual Local Tax Revenues” refers to the actual collected revenues reflected in the Comprehensive Annual Financial Report (CAFR).
- 2.12. “School Reversion Funds” refers to unused expenditure appropriations and end of the year adjustments to the Revenue Sharing Formula revenues based on actual collections.
- 2.13. “Schools Reserve Fund” means the fund established by the City Council on November 4, 2013, which is subject to School Board Policy #3-28 and is identified in the City’s Financial System as Fund 098.
- 2.14. ~~“Discretionary Local Match” refers to the funding level set by the Revenue Sharing Formula and the real estate tax dedication to Schools.~~
- 2.15. ~~“Required Local Match” refers to the City funding required by the State’s Standards of Quality (SOQ)~~

3. Procedure to Calculate the Revenue Sharing Formula:

3.1. Initial Estimate

3.1.1. In October, Budget and Management Services will ~~provide to Schools~~ develop an estimate of Local Tax Revenue for the upcoming fiscal year.

~~3.1.2 The Required Local Match calculation – Using the SOQ for each of the State Biennial years, Budget and Management Services will deduct this amount from the projection of Local Tax Revenues and set it aside as the first step.~~

~~3.1.3 Discretionary Local Match calculation — The Discretionary Local Match has two components: the formula component and the FY 2013 four cent real estate dedication.~~

~~3.1.2. Estimated Formula Revenues component: Budget and Management Services will then allocate to Schools 34.11% of the remaining Local Tax Revenues. Using the estimate in the preceding subsection, the City's Department of Budget and Management Services will provide the estimated formula revenues to the Schools. The Estimated Formula Revenues is the result of the Local Tax Revenues multiplied by the Formula Percentage, which shall be 46.75% starting in FY 2020-21.~~

~~3.1.2.1. The combination of the required local match and the discretionary local match—This formula calculation shall comprise the funding local contribution for the Schools pursuant to this Policy.~~

3.2. Final Estimate

~~3.2.1. In February, the City's Department of Budget and Management Services will ~~provide~~ develop a final estimate of the Local Tax Revenues. Using this estimate and the Formula Percentage, the City will derive a final estimated amount of Formula Revenues, which will be included in the City Manager's ~~This will be the estimate included in the City's Proposed Operating Budget and communicated forthwith to the Schools.~~~~

~~3.2.2. Required Local Match calculation — By February the final SOQ required local match should be known from the Virginia Department of Education and this figure will be used to set aside the first allocation of revenues.~~

~~3.3.3. Discretionary Local Match calculation — Budget and Management Services will then allocate to Schools the formula component (34.11% of the remaining estimated Local Tax Revenues) plus the School's dedication component (four cents of the real estate tax provided no adjustments are required).~~

~~3.3.4. The combination of the Required Local Match and the Discretionary Local Match shall comprise the total local funding of the Schools under the Revenue Sharing Formula.~~

~~3.2.2. 3.3.5. Estimates of the revenues contained in the Revenue Sharing Formula—The final estimated amount of Formula Revenues and the calculation thereof shall be clearly presented in the City's Manager's Proposed Operating Budget and forwarded to the City Council for consideration as part of the annual budget process.~~

4. Procedure to Request Funding an Increase in the Discretionary Local Funding Match Above the Revenue Sharing Formula:

4.1. After receiving the Superintendent's Estimate of Needs, the School Board will notify the City Council by resolution that it has determined additional local funding is required to maintain the current level of operations or to provide for additional initiatives. The School Board's resolution will provide the following: 1) that additional funding is required; 2) the amount of additional funding requested; 3) the purpose for the

additional funding; and 4) that the School Board supports an increase in the real estate tax (or other local tax) should the City Council determine that such a tax increase is necessary.

- 4.2. ~~If the City Council, in its sole discretion may elect to provide revenue to Schools that is not consistent with this Policy. Such action by determines that additional funding is warranted to maintain the current level of City and Schools operations or to provide for additional initiatives,~~ the City Council shall determine appropriate action. This action may include consideration of existing dedications or alternate sources of revenue or tax increases. If, after deliberation and appropriate public involvement, the City Council determines that additional tax revenues are required, the City Council may adopt a tax rate increase to any revenue stream within this formula to generate additional local tax revenue.
- 4.3. Should the City Council dedicate such increase in local taxes, that dedication will be treated in the same manner as other Dedicated Local Tax. If the City Council does not dedicate the increased taxes, this revenue will be part of the Local Tax Revenues for purposes of this Policy.

5. ~~Actual Revenue Collections deviate~~ Deviations from Budgeted Local Tax Revenues:

- 5.1. If, at the end of the fiscal year, the ~~a~~Actual Local Tax Revenues exceed the ~~b~~Budgeted Local Tax Revenues amount, the amount of excess revenue will be subject to the same treatment ~~allocated in the same manner~~ as similar revenues in the budget process for the immediately preceding ~~were~~ apportioned in the recently ended fiscal year. However, any ~~such~~ excess revenue is first ~~are~~ subject to the City Council's General Fund Balance Reserve Policy. If such excess funds are not required for the General Fund Balance Reserve Policy, the School Board may request that such funds be appropriated at the same time as the appropriation of reversion funds, discussed in Section 6.3, below.
- 5.2. If, the City, through the Manager or ~~his~~ their designee, anticipates at any time during the fiscal year that actual revenues will fall below budgeted revenues, the School Board, upon notification by the City Manager or his designee of such an anticipated shortfall, will be expected to take necessary actions to reduce expenditures in an amount equal to the School's portion of the shortfall.

6. Reversion of Formula Revenues:

- 6.1. All other sources of funding shall be expended by the Schools prior to the use of Local Tax Revenues.
- 6.2. All balances of Local Tax Revenues held by the Schools at the close of business for each fiscal year ending on June 30th (to include the accrual period) lapse and revert to ~~into~~ the fund balance of the City's General Fund. ~~The reversion described in the preceding sentence is specific to Local Tax Revenues, and while the appropriation to spend funds may lapse, the reversion process is not applicable to moneys in a fund, such as the Athletic Fund, that are attributable to user fees or gate admissions.~~

- 6.3. Reversion Appropriation Process: The School Board may request, by resolution, the reappropriation and appropriation of funds resulting from the end of the fiscal year. This request should consider the following:
- 6.3.1. The use of funds whose appropriation has lapsed because of the end of the fiscal year and reverted to the fund balance of the City's General Fund. See Section 6.2.
 - 6.3.2. The use of excess funds discussed in Section 5.1.
 - 6.3.3. The calculation of actual debt payments for the fiscal year recently closed as compared to the estimated debt payments upon which the fiscal year's budget was appropriated. If the actual debt payment exceeds estimated debt payments, the amount of the Schools' reversion funds will be reduced by this difference. If actual debt is less than estimated debt payments, the amount of the Schools' reversion funds will be increased by this difference.
 - 6.3.4. The Schools' Office of Budget Development Office will confer with Budget and Management Services to verify that there is sufficient fund balance in the General Fund to meet the City Council Fund Balance Policy. If there is insufficient fund balance according to the Fund Balance Policy, the City Manager shall notify the Superintendent of this condition.
 - 6.3.5. The School Board resolution may request the use of excess or reversion funds for one-time purchases or to be retained according to the applicable policy on for the Schools Reserve Fund (Fund 098), including School Board Policy #3-28, and City Council Ordinance # 2789F, adopted November 4, 2003.
 - 6.3.5.1. Upon receipt of the resolution, Budget and Management Services shall prepare an ordinance for City Council's consideration of the School Board's request at the earliest available City Council meeting.
 - 6.3.5.2. Following City Council's action, Budget and Management Services shall notify the Schools of the City Council's decision and shall adjust the accounting records accordingly.

7. Revision to the City/School Revenue Sharing Policy:

- 7.1. The Superintendent, City Manager, Schools' Chief Financial Officer, and the City's Director of Budget and Management Services shall meet annually to discuss changes in State and Federal revenues that support Schools' operations, any use of "one-time" revenues, and any adjustments made to existing revenues affecting this formula. If they determine that an adjustment is needed, the City Manager and the Superintendent will brief the City Council and the School Board respectively.
- 7.2. City Council may revise this Policy in its discretion after consultation with the School Board.
- 7.3. If no other action is taken by the City Council and the School Board, this Policy shall remain effective until June 30th ~~2019~~ 2024 at which time it will be reviewed and considered for reauthorization.

Approved:

As to Content:

School Superintendent

Date

City Manager

Date

As to Legal Sufficiency:

City Attorney

Date

Approved by School Board:

School Board Chairman

Date

APPROVED BY

CITY COUNCIL:

Mayor

Date