

City of Charlottesville
City Manager's Office
MEMO



TO: Council
FROM: Michael C. Rogers, Interim City Manager
DATE: October 17, 2022
SUBJECT: Financial Report – FY 2023 through September 30, 2022

The online Budget Explorer which can be found at on the Budget Office webpage at www.charlottesville.gov/budget has been revised and includes a quarterly report tab for both revenues and expenditures. These quarterly tabs are automatically updated at the end of each quarter and are available for public viewing. The 1st quarter visualization contains financial information through September 30, 2022. Both a citywide view as well as the ability to drill down to the individual department level is available. The information presented in the visualization comes directly from the City's financial system and represents dollars that have been received and/or paid out as of the chosen date. The final 4th quarter data for FY 2022 will be provided once the year is officially closed and the audit is completed. This information will be presented in early December as part of the audit presentation by the City's Auditors and Chris Cullinan, the City's Finance Director.

Revenue Budget Projections

As of September 30th, approximately 12% of the budgeted revenue for this fiscal year has been collected. Real Estate and Personal Property tax payments for the second half of 2022 are due on December 5th and represent two of the City's largest revenue sources. The Adopted Revenue budget for FY 23 totals \$212,889,291. Current revised projections indicate that revenues are tracking closely with the budget, and we are currently anticipating a modest revenue surplus of 1.91% or \$4M. The largest drivers of the anticipated surplus are real estate and personal property tax revenues and were anticipated as a result of the approved real estate tax increase and increased personal property assessments which were discussed and approved as part of the FY 23 budget process. The other revenue increases are for

meals, sales, and lodging which we know from our experience with COVID are economically sensitive revenues. The cautionary tale here is that many unknowns exist should there be a national recession. These early projections are offered only as a reference for discussion today. The revenue team meets monthly and continues to closely monitor revenue collections for FY 23 and is beginning work to refine projections for the development of the FY 24 budget. While at this point, we do anticipate there will be some revenue increases for FY 24, we do not anticipate the level of growth the City observed from FY 22 to FY 23.

The following FY 23 revenue budget revisions are projected:

	FY 2023 Budget	FY 2023 Revised	Change
<u>Local Taxes</u>			
Real Estate Tax	\$ 89,487,993	\$ 90,700,000	\$ 1,212,007
Personal Property Tax	12,000,000	14,000,000	2,000,000
Public Service Tax	1,589,086	1,589,086	-
Utility Taxes	4,600,000	4,600,000	-
Virginia Communications Sales and Use Tax	2,125,000	2,125,000	-
Tax on Bank Stock	1,200,000	1,200,000	-
Tax on Wills & Deeds	725,000	725,000	-
Sales & Use Tax	13,900,000	14,400,000	500,000
Transient Room Tax	7,000,000	7,100,000	100,000
Meals Tax	14,075,026	14,500,000	424,974
Cigarette Tax	550,000	550,000	-
Plastic Bag Tax (<i>*implementation currently underway</i>)	-	-	-
<u>Licenses and Permits</u>			
Business & Professional Licenses	\$ 8,700,000	\$ 8,700,000	-
Vehicle Licenses	\$ 890,000	\$ 150,000	(740,000)
<u>Miscellaneous Revenues</u>			
Interest Income	\$ 580,000	\$ 1,050,000	470,000
<u>Designated Revenues</u>			
Meals Tax Designated for the Debt Service Fund	\$ 2,564,974	\$ 2,661,538	\$ 96,564
Total Revenue Budget Surplus			\$ 4,063,545
Surplus as a % of Total Budget			1.91%

Expenditure Budget Projections

Many City operations are seasonal and interfund transfers, which represent large expenditures in the General Fund (i.e. Debt Service Transfer, CIP transfer, Transfer to CAT, etc.), get posted as a lump sum later in the fiscal year. Additionally, recruiting and procurement activities for the new year are just getting under way in the 1st quarter. These factors lead to a more cyclical and irregular expenditure pattern that is harder to project. However, we continue to monitor expenditures and indicators suggest that expenses are tracking well with the budget. Expenditure details can be viewed using the [Budget Explorer Tool](#) which can be found on the City's Budget webpage.

Other Financial Matters

The next quarterly report to US Treasury regarding the City's expenditure of ARP funds for July to September is due on October 31. Following submission of the City's quarterly report, City Council will be provided detailed information on the use ARP funds.

**Please note all the information presented in this memo and the Budget Explorer visualization is collected as of a specific point in time. All amounts are subject to change until the City's annual audit is complete and the books are officially closed for any given fiscal year.*