

CITY OF CHARLOTTESVILLE, VIRGINIA
CITY COUNCIL AGENDA



Agenda Date:	January 3, 2023
Action Required:	Approve resolution of appropriation to amend the FY23 budget.
Presenter:	Chris Cullinan, Director of Finance
Staff Contacts:	Chris Cullinan, Director of Finance Krisy Hammill, Director of Budget
Title:	Resolution of Appropriation to Amend the Fiscal Year 2023 Budget (2nd reading)

Background

The audit for Fiscal Year (FY) 2022 has been completed. To close the City's financial records for the year, several year-end adjustments to various accounts require City Council action. These adjustments are to carry over unspent funds from the last fiscal year to the current fiscal year. These carry overs are the result of either previous City Council policy direction or requirements associated with the funds.

Discussion

For FY22, the General Fund ended \$22,917,915.01 in excess of its 17% fund balance policy.

The financial foundation for FY22 was laid in late 2020/early 2021, less than one year after the beginning of the COVID 19 pandemic. At the time, COVID vaccines were just beginning to be administered to essential workers and first responders. COVID restrictions and closures were in place with no clear timeframe as to when they would be lifted. It was against this uncertain backdrop that the City adopted a conservative, status quo budget for fiscal year 2022 with modest growth of 0.5%.

But as the fiscal year began in July 2021, vaccines became widely available and restrictions and closures were lifted. The economy reopened and rebounded with several of the City's economically sensitive revenues performed significantly better than expected, namely Sales and Use Taxes, Lodging Taxes, Meals Taxes, Personal Property Taxes, and Business Licenses (note: many of these taxes had performed under budget in the previous fiscal year). Real Estate Taxes also performed much better than expected as a result of continued rising reassessments.

Overall, General Fund revenues performed \$14.3M above budget. Top performing revenues compared to budget include (amounts shown above budget):

- Real Estate Taxes = \$5.0M.

- Meals Taxes = \$3.1M.
- Sales and Use Taxes = \$2.6M.
- Lodging Taxes = \$2.2M.
- Personal Property Taxes = \$2.2M.
- Business Licenses = \$1.7M.

City operations and facilities were limited during the fiscal year. Twice during the fiscal year, the City attempted to reopen but did not due to surges in COVID cases from the Delta and Omicron variants. A number of City departments spent less than budgeted primarily in salaries and benefits from vacant positions. Delays in reopening facilities resulted in reduced operating costs. Some departments also experienced delays in purchases due to supply chain shortages.

Citywide salary and benefit savings totaled approximately \$5.3M with the largest savings coming from Police, Parks and Recreation, and Public Works. Approximately \$2.1M from the FY21 year-end surplus went unused towards mid-year salary adjustments. Transfers to the Comprehensive Services Act and Department of Social Services were under budget by \$635,000 and \$400,000 respectively.

The total combined General Fund fund balance increased from \$53.4 million at the end of FY21 to \$66.3 million at the end of FY22. When restricted uses of fund balance are netted out (including the City's 17% fund balance policy), the General Fund finished with \$22.9 million of unrestricted funds in fund balance.

Staff have several recommendations for City Council's consideration, grouped in to three categories:

City Council considerations from the FY23 budget process = \$11,513,225.00
 City Manager recommendations one-time uses = \$4,742,142.71.
 Transfer to Capital Improvement contingency fund = \$6,662,547.30

TOTAL = \$22,917,915.01

Details for each of these categories are listed below.

1. City Council considerations from the FY23 budget process = \$11,513,225.00

During the FY23 budget process, staff advised City Council that revenues for FY22 were performing well above budget and that a surplus of revenues were likely to be available to fund the below items:

- a. Department of Social Services Software Replacement = \$110,000.
- b. Procurement eSourcing Software = \$100,000.
- c. 2 Additional Buses – Route 6 Equity Initiative = \$1,000,000.
- d. SAFER Grant Match – adjusted for FY22 midyear salary adjustment and FY23 COLA = \$2,109,000.
- e. School Reconfiguration \$54M Bond Scenario (additional cash needed to get to \$68.8M) = \$600,000.
- f. School Reconfiguration \$54M Bond Scenario (year 2 of additional debt service) = \$1,947,112.

- g. School Reconfiguration \$54M Bond Scenario (year 3 of additional debt service) = \$1,947,113.
- h. Meadowcreek Trail – Section 3 = \$700,000.
- i. CAT – additional funding for 30 minute routes = \$2,000,000.
- j. City Manager Fund = \$1,000,000.

2. City Manager Recommendations One Time Uses = \$4,742,142.71.

- a. Council Strategic Initiatives = \$325,000. These funds will be added to the current balance to provide City Council the flexibility to fund opportunities to advance the Strategic Plan.
- b. Upgrade of SAP = \$1,000,000. The City is beginning the process to upgrade the City's financial management system. These funds will be added to funds that have already been accumulated for this project to ensure sufficient resources to complete the project.
- c. Fuel Price Volatility = \$150,000. The price of fuel continues to fluctuate. These funds will ensure sufficient budget to fuel the City's fleet of vehicles and equipment.
- d. Language Access Pilot Program = \$100,000. These funds will be used to contract for language translation for City services.
- e. Standards and Design Manual = \$142,142.71. This will restore funds for completion of the Standards and Design Manual.
- f. Pathways Fund = \$575,000. These funds will allow the Pathways Fund to provide financial assistance through the end of the current fiscal year (June 2023).
- g. Emergency Management Mobile Automated External Defibrillators (AED) = \$150,000. These funds will be used by the Emergency Manager to purchase mobile AEDs.
- h. Working Capital Fund for Meadowcreek Golf Course = \$300,000. These funds will be used for capital improvements at Meadowcreek Golf Course at Pen Park to improve the quality of play for patrons.
- i. Class and Compensation Study – One Time Uses = \$2,000,000. The Class and Compensation study will soon be completed. These funds can be used for one-time adjustments or other one-time forms of compensation recommended by the study.

3. Transfer to Capital Improvement Contingency Fund per Financial Management Policy = \$6,662,547.30.

These funds will be added to the contingency fund in the Capital Improvement fund for unforeseen costs or needs.

In addition to these recommendations are several carry over appropriations needed to close the books for the fiscal year. These are detailed in the attached resolution.

Alignment with City Council's Vision and Strategic Plan

This agenda item aligns with Goal 4 of the Strategic Plan, to be a well-managed and successful organization.

Community Engagement

This agenda item includes a public hearing and is the first reading of this appropriation.

Budgetary Impact

Funds from the year-end surplus are considered to be a one-time revenue and should be used for one-time uses or projects. The recommended uses are either one-time in nature or are to be used to facilitate the incorporation of future cost increases into the annual budget.

Recommendation

Staff recommend that Council approve the first reading of the attached resolution amending the FY23 budget.

Alternatives

Amend the recommendations and/or amounts.

Attachments

1. FY22 Year End Appropriation