

**City of Charlottesville
City Manager's Office
MEMO**



TO: Council
FROM: Michael C. Rogers, Interim City Manager
DATE: January 17, 2023
SUBJECT: Financial Report – FY 2023 through December 31, 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 2nd quarter visualization contains financial information through December 31, 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.

Revenue Budget Projections

As of December 31st, approximately 46% of the budgeted revenue for this fiscal year has been collected. Real Estate and Personal Property tax payments for the second half of 2022 were 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 continue to indicate strong performance, and we are currently anticipating a modest revenue surplus of 2.39% or \$5M. The largest drivers of the anticipated surplus continue to be real estate and personal property tax revenues which was anticipated as a result of the approved real estate tax increase and increased personal property assessments discussed during the FY 23 budget development process. 2023 property reassessments are finishing up and notices will be mailed to property owners at the end of January. At that time, real estate revenue projections will be adjusted to reflect the new values. Meals, sales, and lodging taxes continue to be strong, but we know from our experience with COVID that these revenues are economically

sensitive. While we remain optimistic about the revenue performance, we continue to actively monitor these revenues and continue to stress that these are early projections offered only as a reference for discussion today and are highly subject to change. The revenue team continues to meet monthly and refine projections for the development of the FY 24 budget and to monitor performance in the current year.

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	1,630,567	41,481
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	1,157,411	(42,589)
Tax on Wills & Deeds	725,000	725,000	-
Sales & Use Tax	13,900,000	14,600,000	700,000
Transient Room Tax	7,000,000	7,400,000	400,000
Meals Tax	14,075,026	15,000,000	924,974
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	\$ 2,690,909	\$ 125,935
Total Revenue Budget Surplus			\$ 5,091,808
<i>*Projected as of December 30,2022</i>			
Surplus as a % of Total Budget			2.39%

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 2nd 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.

**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.*



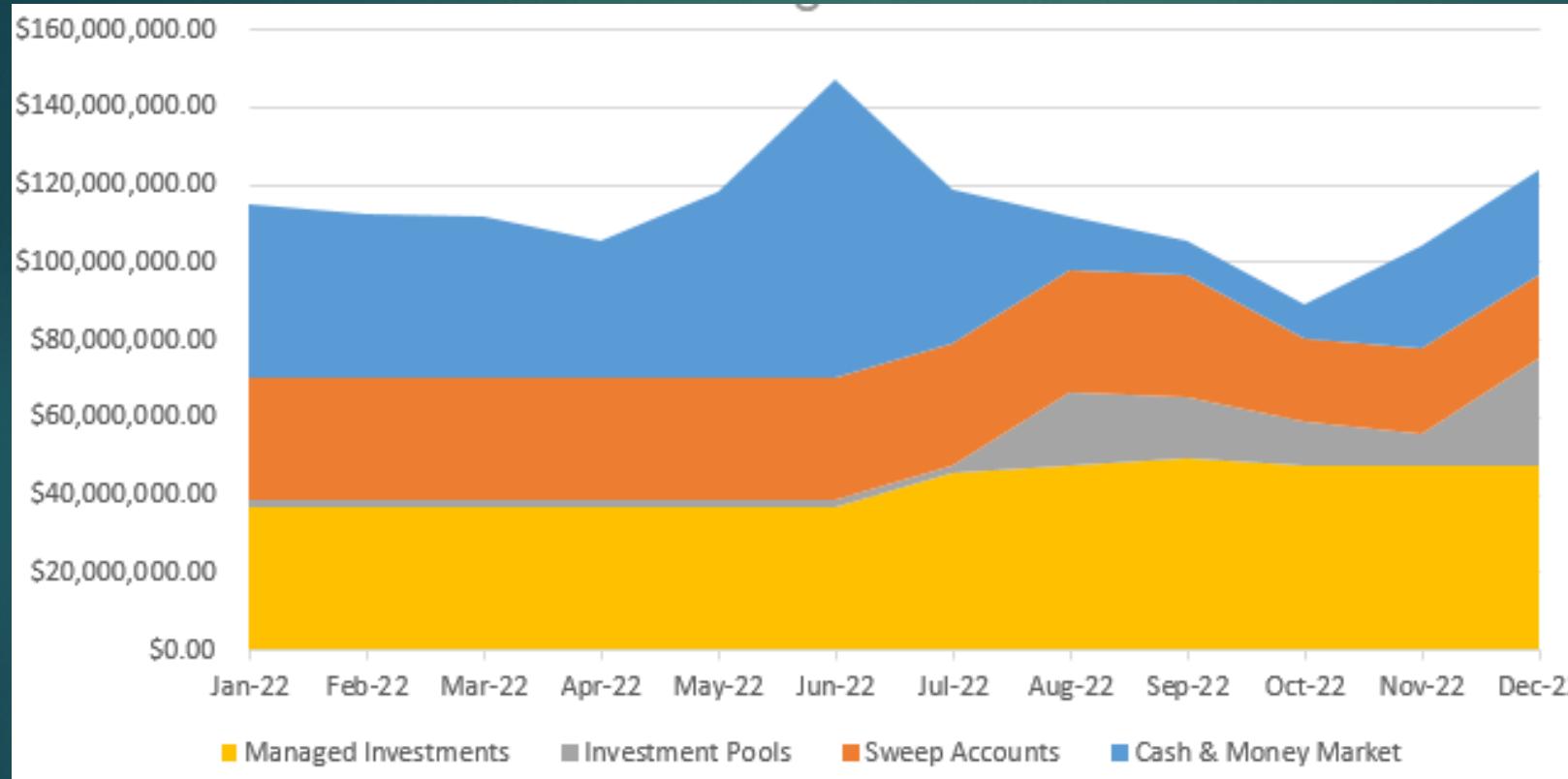
City of Charlottesville

TREASURER'S OFFICE
INVESTMENT PORTFOLIO UPDATE
DECEMBER 17, 2022

Investment Policy Guidelines

- ▶ The Investment Policy has been established by the Treasurer of the City of Charlottesville to ensure effective management of the day-to-day investment activity for the City, and is designed to increase non-tax revenues by investing funds when not needed for current obligations.
- ▶ The Treasurer of the City of Charlottesville is an elected office ("Constitutional Officer") charged with receiving, collecting, safeguarding and disbursing City funds with general custody of City funds from all sources. The general custody of all funds requires the investment of those funds within the confines of the Code of Virginia and a comprehensive Investment Policy developed and maintained by the Treasurer.
- ▶ All funds are managed to accomplish the fundamental goals of safety, liquidity, and yield.

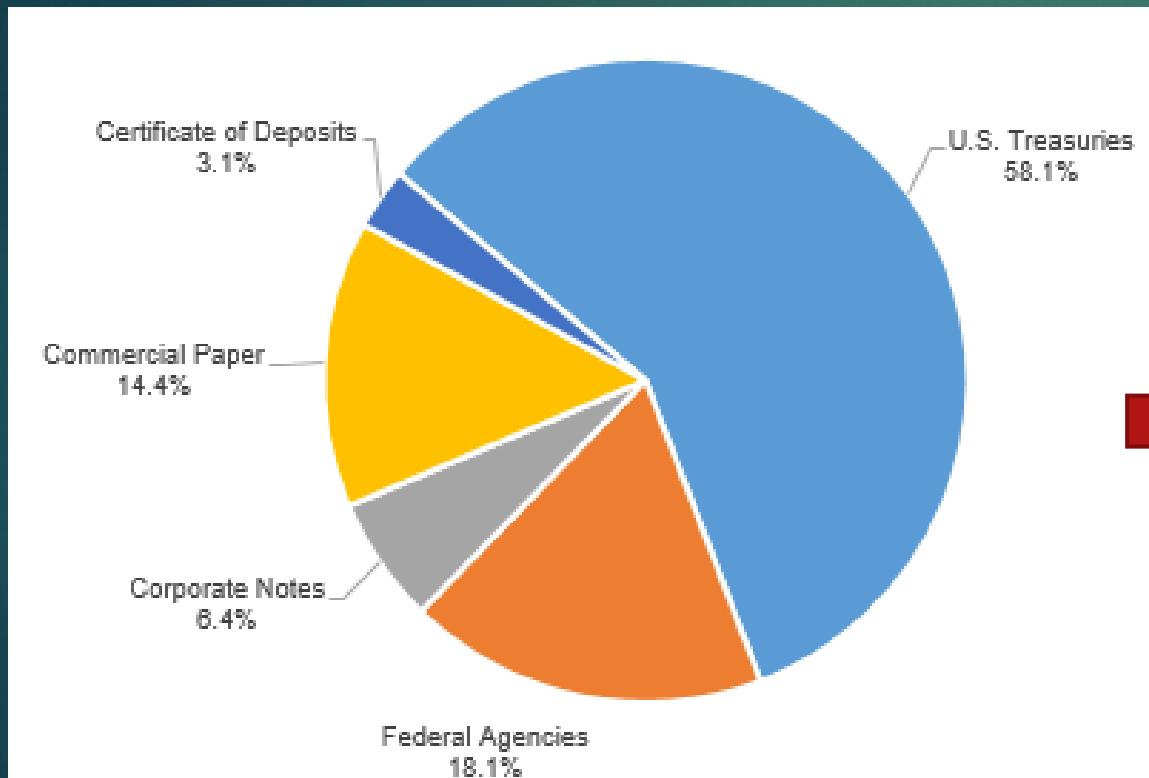
Monthly Cash Balance by Investment Type



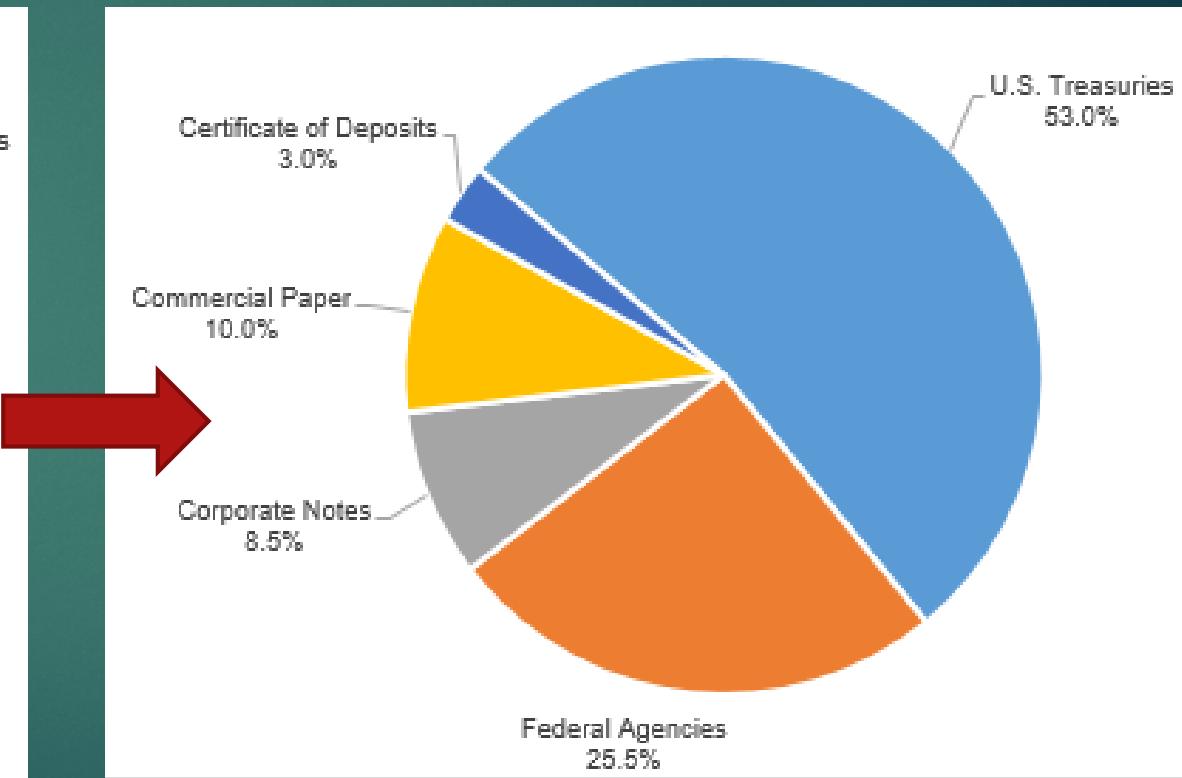
As investment rates have become more attractive relative to cash earnings, we have shifted more of the portfolio into longer term investments and investment pools and out of cash holdings.

Managed Investments Portfolio Composition

September 2022



December 2022



There have been slight changes in the asset allocation in the managed portfolio this quarter.

Managed Portfolio Maturity Distribution and Yields



Intermediate-term rates are stabilizing and more of the portfolio redemptions have been invested in the 2-3 year range.