CITY OF CHARLOTTESVILLE, VIRGINIA
CITY COUNCIL AGENDA

Agenda Date:	January 16, 2024
Action Required:	Approval
Presenter:	Chris Cullinan, Director of Finance
Staff Contacts:	Chris Cullinan, Director of Finance Krisy Hammill, Director of Budget
Title:	**Public Hearing and Resolution of Appropriation to Amend the FY24 Budget (1 of 2 readings)**

Background

The audit for Fiscal Year (FY) 2023 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 FY23, the General Fund ended $21,739,731 in excess of its 17% fund balance policy.

The economic rebound from COVID 19 that began in FY22 continued in FY23. Despite record high interest rates and inflation, the City's largest revenues performed above projected budget amounts. Real Estate Taxes performed above projection as real estate prices continued to increase. Continued increases in consumer spending coupled with higher prices resulted in better performance for Lodging Taxes, Meals Taxes, Personal Property Taxes, and Business Licenses. Interest Income from the City's investment of its idle cash also performed significantly above budget projections as a result of higher interest rates.

Overall, General Fund revenues performed $13.9M above budget. Top performing revenues compared to budget include (amounts shown above budget):

- Real Estate Taxes = $5.5M
- Meals Taxes = $2.0M
- Lodging Taxes = $1.1M
- Personal Property Taxes = $2.4M
- Business Licenses = $1.3M
- Interest = $1.5M

The majority of City departments spent less than budgeted resulting in significant budget savings. Similar to FY22, the majority of savings were in salaries and benefits from vacant positions. Citywide salary and benefit savings totaled approximately $6.7M with the largest savings coming from Police, Parks and Recreation, and Public Works.

It should be noted that halfway through FY23, the then Interim City Manager publicly noted these vacancies and directed departments to make filling these positions a priority. A notable example of this renewed emphasis is the City's Police Department recently graduated its largest and most diverse class of 14 new police officers from the training academy.

In addition to salary and benefit savings, vacant positions also result in additional savings from fewer purchases of related supplies, equipment, tools, etc used by employees in those positions.

The total combined General Fund fund balance increased from $66.3 million at the end of FY22 to $72.1 million at the end of FY23. When restricted uses of fund balance are netted out (including the City's 17% fund balance policy), the General Fund finished with $21.7 million of unrestricted funds in fund balance.

Recommendation/Carryover Request:

The FY23 year end appropriation totals approximately $26.3M, grouped in to four categories:

General Fund	$21,739,731.00
Facilities Repair Fund	$24,965.88
Grants Fund	$14,596.91
Capital Improvements Fund	$91,064.00
Schools Gainsharing	$4,422,395.00
TOTAL	$26,292,752.79

Details for each of these categories are listed below.

1. General Fund = $21,739,731.00 Staff recommend the following uses of these funds for previous commitments and one-time uses:

a. Unfunded 2% Retiree COLA granted in FY24	$2,600,000
b. Finance/IT - SAP (financial management system) upgrade	$1,500,000
c. Citywide Reserve	$500,000
d. City refuse contract - contractual CPI increase	$400,000
e. Parks and Recreation - Riverview Park restrooms	$300,000
f. Maintenance fund for City leased properties	$200,000
g. City Attorney's Office capacity	$92,500
h. Police Department - sign on bonuses for new officers	$68,000
i. Parks and Recreation - staff reorganization	$50,000
j. CAT - radios	$49,300
k. City Attorney's Office - office improvements	$47,000
l. Police Department - upfit of new substation in Transit Station	$47,000

m. Fire Department - vehicle for new Battalion Chief $45,000
n. Police Department - Guardian Score pilot program $20,000

SUBTOTAL **$5,918,800**

BALANCE TO BE TRANSFERRED TO CIP CONTINGENCY
(per Financial Management Policy) **$15,820,931**

In addition to these recommendations for the General Fund, several carry over appropriations listed below are needed to close the books for the fiscal year.

2. Facilities Repair Fund = $24,965.88.
Unspent restricted courts fees for Courthouse maintenance and construction will be carried over in the Facilities Repair Fund.

3. Grants Fund = $14,596.91.
Unspent State Fire Grant funds to be used for qualifying expenditures.

4. Capital Projects Fund = $91,064.00
Funds pursuant to memorandum of understanding with CARS.

5. Schools Gainsharing = $4,422,395.00
For the year ending June 30, 2022, the Schools had an operating surplus of $4,422,395.00. The Schools, with staff concurrence, recommend the full amount be transfer to the FY24 Capital Improvements Program to offset costs for school capital projects.

Alignment with City Council's Vision and Strategic Plan
This resolution aligns with the Strategic Outcome Area of Organizational Excellence.

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 FY24 budget.

Alternatives
Amend the recommendations and/or amounts.

Attachments

1. FY23 Year End Appropriation