

CITY OF CHARLOTTESVILLE, VIRGINIA. CITY COUNCIL AGENDA.



Agenda Date:	January 21, 2020.
Action Required:	Council Appropriation (1 st of 2 readings).
Presenter:	Christopher Cullinan, Director of Finance.
Staff Contacts:	Christopher Cullinan, Director of Finance. Krisy Hammill., Senior Budget and Management Analyst
Title:	Year End Adjustments- F.Y. 2019 and General Fund Balance Transfer.

Background:

The City Manager prepares and City Council adopts a balanced budget (revenues = expenditures) each fiscal year. When City Council adopts the annual budget in April of each year, the actual results of the fiscal year will not be known until 15 months later. The budget is a projection based on known factors (fixed costs, funding formulas) and factors based on best information available (past revenue and expenditure trends, economic forecasts). The annual audit and Comprehensive Annual Financial Report (CAFR) are prepared at the end of each fiscal year detailing actual financial results and whether a surplus or deficit occurred.

After the annual audit and depending on the funds available after closing the fiscal year, City management makes recommendations for one-time appropriations and transfers to other funds.

To the extent that the surpluses are based on on-going, identifiable trends, the City incorporates these into the preparation of the next year's balanced budget. Surpluses can also result from one-time occurrences or events and thus cannot, nor should not, be planned to repeat in future years. Given these practices, the City treats surpluses as one-time events. As one-time events, surpluses should only be used for one-time expenses so as not to create a structural imbalance in the City's finances. This approach is considered a financial management best practice.

As shown below, while the recent trend has been for the General Fund to have surpluses, the City does not plan on surpluses occurring.

Discussion:

For the fiscal year ending June 30, 2019 (fiscal year 2019), the City's General Fund ended with a positive, unallocated surplus of \$5,829,266 or 3.2% within budget. As evidenced by the table below, this result is consistent with the City's recent financial performance:

Fiscal Year	Adopted Budget	Fund Balance Surplus/(Deficit)	Fund Balance as % of Adopted Budget	
2014	\$146,269,910	\$2,986,157	2.0%	
2015	\$150,742,327	\$4,316,606	2.9%	
2016	\$156,391,435	\$5,995,549	3.8%	
2017	\$162,018,737	\$8,941,570	5.5%	
2018	\$171,657,127	\$4,701,082	2.7%	<u>Ave % FY14-FY18</u>
2019	\$179,725,535	\$5,829,266	3.2%	3.4%

As a percentage of the General Fund budget, the FY'19 results are similar to the past five fiscal years. Note: actual financial results within +/-5% of projected budget results are considered to be within best financial management practices.

Including FY'19, the trend has been revenues performing better than expected and the City spending less than budgeted. Specific examples are cited below.

Significant, positive revenue budget variances (actual revenues exceeding budgeted amounts) were as follows:

- **Real Estate Taxes** exceeded budget by \$1,996,555.
- **Business and Professional License (BPOL)** = \$1,140,881.
- **Personal Property Taxes** = \$681,003
- **Transient Occupancy Taxes (Lodging Taxes)** = \$559,226
- **Meals Taxes** = \$395,427

Note these are all locally derived revenues reflecting the strength of the City's economy.

Significant budget savings (actual expenses below budgeted amounts) included:

- **Parks and Recreation** was under budget by \$346,804.
- **School Pupil Transportation** = \$238,993.
- **Police Department** = \$225,205.
- **City Manager** = \$223,699.
- **Neighborhood Development Services** = \$206,054.

Salaries and benefits for employees are the City's largest expense. Vacancies often produce budget savings.

Resolution/Carryover Request:

At each year-end, the City calculates required fund balance amounts to maintain compliance with its policies. Any additional surplus generated is earmarked for spending on one-time items in future years.

For FY2019, the City ended \$5,829,266 in excess of its 17% fund balance policy. The resolution recommends that \$5,204,500 be approved and carried over to be spent as described in the memo and on Exhibit 1. The remaining surplus balance of \$624,766 will be placed in the Capital Improvement Program Contingency Fund for future programming as per City policy.

Attached is Exhibit I which provides a summary of appropriations requested.

Community Engagement:

This agenda item is the first reading of this appropriation. A public hearing will occur at the next Council meeting to take comments and possible amendments to these year-end results and recommended use of carryover funds followed by the second reading of the appropriation.

Budgetary Impact:

The \$5,204,500 of expenditure recommendations are one-time in nature and in alignment with sound financial management practices.

The remaining \$624,766 is recommended to be transferred to the Capital Improvement Fund contingency for future capital needs. This recommendation is in accordance with our financial policy and allows the City to contribute more towards a “pay as you go” (PAYGO i.e. cash) C.I.P. versus issuing bonds. This is something the bond rating agencies track closely and consider a good financial management practice .

Alignment with Council Vision Areas and Strategic Plan:

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

Recommendation:

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

Alternatives:

Amend the Recommendations.

Attachments:

1. Memo- End of Year Adjustments/Exhibit I.
2. FY 2019 Year End Appropriation.

To: Members of City Council.

From: Christopher Cullinan, Director of Finance.
Krisy Hammill, Senior Budget and Management Analyst.
Date: January 21, 2020
Subject: **F.Y. 2019 End of Year Adjustments.**

In order to close the City's financial records for F.Y. 19 City Council is requested approve the attached resolution to adjust certain accounts.

Provided below is a brief description of the items contained in the various sections of the appropriation:

- Section I - General Fund.
- Section II - Facilities Repair Fund.
- Section III - Grants Funds.
- Section IV – Capital Projects Fund.

Included are names of the department or program, the amount of the adjustment and a brief discussion of the reason(s) for the appropriation.

I. General Fund - \$5,852,530.

(a) Departmental Appropriations – Section 1 (a).

The following appropriations are requests for carryovers of unspent funds and funds not previously appropriated.

From unallocated, General Fund surplus:

- Citizen Review Board - \$50,000.
These funds will be used to fund the startup personnel and operating costs of the Civilian Review Board during the current fiscal year. On-going funds will be included in next year's budget.
- Citywide Reserve - \$1,014,000.
\$614,000 will be used to replenish the Citywide Reserve for funds used to replace radios for various City departments. \$400,000 will be reserved as a contingency to address potential legislative actions taken by the General Assembly.
- Communications Department - \$18,500.
\$15,000 will be used for Unity Days marketing costs. \$3,500 will be used for the Census 2020 project coordinated by the Thomas Jefferson Planning District Commission to encourage participation in the upcoming Census.
- Assessor's Office - \$29,000.
These funds will be used for the City's share of updating pictometry files for the Geographic Information System (GIS). This project is being done in

conjunction with Albemarle County.

- Police Department - \$96,000.
Funds will be used for several one-time equipment replacement costs and facility repairs.

Funds not previously appropriated:

- Police Department/Crisis Intervention Team - \$23,536
These funds will be used to fund training for the City's Crisis Intervention Team.

(b) Additional Transfers and Appropriations – Section 1(b).

The following appropriations are requests for transfers from the General Fund to other funds.

From unallocated, General Fund surplus:

- Transfer to Retirement Fund - \$1,800,000.
These funds will be carried over and transferred to the Retirement fund. The FY19 budget granted a 4.17% cost of living adjustment (COLA) to employees. The budgeted annual retirement contribution only funded a 2.0% COLA. These funds are needed fulfill the City's entire contribution.
- Transfer to Capital Projects Fund - \$1,250,000.
These funds will be used to commission a citywide Compensation study as discussed by staff and City Council during the F.Y. 20 budget discussions.
- Transfer to Capital Projects Fund - \$247,000.
Software will be purchased to automate the City's account payables process resulting in Citywide efficiency improvements.
- Transfer to Capital Projects Fund - \$700,000.
These funds will be transferred to the Charlottesville Affordable Housing Fund (CAHF).
- Transfer to Capital Projects Fund - \$624,766.
These funds will be transferred to the C.I.P. Contingency Fund per the City's financial policy.

II. Facilities Repair Fund - \$46,494

- Courthouse Maintenance (P-00099) - \$20,908 - These unspent restricted court fees will be used for future court repair work or records conversion. The amount will be carried over in the Facilities Repair Fund.

- Courthouse Construction (P-00783) - \$25,586 – These unspent restricted court fees will be used for future renovations or construction projects relating to the courts and will be carried over in the Facilities Repair Fund.

III. Grants Fund - \$924

These funds were received from outside sources and are being appropriated to be spent by the respective grants:

- \$924 – these funds will be used for additional qualifying State Fire Grant expenditures (1900010).

IV. Capital Projects Fund - \$2,280,423

- Charlottesville-Albemarle Rescue Squad (CARS) EMS Equipment Fund - \$83,423 – These funds represent the unspent contingency funds required as part of the Memorandum of Understanding and will be carried over from the General Fund to this account and used to fund equipment for the Charlottesville-Albemarle Rescue Squad (CARS).
- Compensation Study - \$1,250,000 (P-01032) - These funds will be used to commission a citywide Compensation study as discussed by staff and City Council during the F.Y. 20 budget discussions.
- Accounts Payable Automation Project - \$247,000 (P-01033) - Software will be purchased to automate the City's account payables process resulting in Citywide efficiency improvements.
- Charlottesville Affordable Housing Fund (CAHF) - \$700,000 (CP-084) – These funds will be transferred to the Charlottesville Affordable Housing Fund (CAHF).

Cc: John C. Blair, II, City Attorney.

Exhibit I – Recommended Uses F.Y. 19 Unallocated, General Fund Surplus

Unallocated Fund Balance in Excess of Target & Reserves June 30, 2018 (FY19)	5,829,266
Recommended Appropriations	
Compensation Study	
Citizen Review Board (CRB) Startup Costs	
Citywide Reserve/Radio Replacement	\$614,000
Citywide Reserve/Reserve for Legislative Changes	
Communications Department/2020 Census	
Communications Department/Unity Days	\$15,000
Assessor's Office/GIS - pictometry update	\$29,000
Police Department/Facilities and Equipment	\$96,000
Finance Department /Automation and Processing of Accounts Payable	\$247,000
Transfer to Retirement Fund/FY2020 COLA	\$1,800,000
Transfer to Charlottesville Affordable Housing Fund (CAHF)	\$700,000
	-\$5,204,500
Surplus Fiscal Year 2019	<u>\$624,766</u>
Transfer to CIP Contingency	(\$624,766)
Remaining Surplus	\$0

FY 2019 Year End Appropriation

BE IT RESOLVED by the Council of the City of Charlottesville, Virginia, that the actions hereinafter set forth are herein authorized with respect to the accounts of the City listed herein, for the fiscal year ended June 30, 2018. The memo to Council dated January 21, 2020 is hereby made part of this appropriation.

General Fund (105).

(a) Departmental Appropriations.

The following amounts shall be permitted to be carried over and expended in the General Fund's respective cost centers or internal orders in the following fiscal year:

20141.	Citizen's Review Board.	\$50,000.
1631001000.	Citywide Reserve.	\$1,014,000.
1611001000.	Communications Department.	\$18,500.
2041001000.	Assessor's Office.	\$29,000.
3101001000.	Police Department.	\$96,000.
3111001000.	Police Department – CIT.	\$23,536.
Total Section 1 (a).		<u>\$1,231,036.</u>

(b) Additional Transfers and Appropriations.

9803030000.	Transfer to Retirement Fund.	\$1,800,000.
9803030000.	Transfer to Capital Projects Fund (Comp. Study).	\$1,250,000.
9803030000.	Transfer to Capital Projects Fund (AP Software).	\$247,000.
9803030000.	Transfer to Capital Projects Fund (CAHF).	\$700,000.
9803030000.	Transfer to Capital Projects Contingency Fund.	\$624,766.
Total Section 1 (b).		<u>\$4,621,766.</u>

Facilities Repair Fund (107).

- Courthouse Maintenance (P-00099) - \$20,908 - These unspent restricted court fees will be used for future court repair work or records conversion. The amount will be carried over in the Facilities Repair Fund.
- Courthouse Construction (P-00783) - \$25,586 – These unspent restricted court fees will be used for future renovations or construction projects relating to the courts and will be carried over in the Facilities Repair Fund.

Grants Fund (209).

These funds were received from outside sources and are being appropriated to be spent by the respective grants:

- \$924 – these funds will be used for additional qualifying State Fire Grant expenditures (1900010).

Capital Projects Fund

- Charlottesville-Albemarle Rescue Squad (CARS) EMS Equipment Fund - \$83,423 – These funds represent the unspent contingency funds required as part of the Memorandum of Understanding and will be carried over from the General Fund to this account and used to fund equipment for the Charlottesville-Albemarle Rescue Squad (CARS).
- Compensation Study - \$1,250,000 (P-01032) - These funds will be used to commission a citywide Compensation study as discussed by staff and City Council during the F.Y. 20 budget discussions.
- Accounts Payable Automation Project - \$247,000 (P-01033) - Software will be purchased to automate the City's account payables process resulting in Citywide efficiency improvements.
- Charlottesville Affordable Housing Fund (CAHF) - \$700,000 (CP-084) – These funds will be transferred to the Charlottesville Affordable Housing Fund (CAHF).