

City of Charlottesville
City Manager's Office
MEMO



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

The online Budget Explorer which can be found at on the Budget Office webpage at www.charlottesville.gov/budget 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 4th quarter visualization contains a snapshot of financial information through June 30, 2023. 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.

Please note that Finance is just beginning the year-end close-out process and as result, all the figures and projections contained in this memo and the Budget Explorer tool are subject to change until the audit is complete and results are presented to Council in December.

Revenue Budget Projections

The Adopted Revenue budget for FY 23 totaled \$212,889,291. Beginning with the 2nd quarter report, staff began projecting a revenue surplus and as shown in the table below, we are projecting to finish the year with a revenue surplus of \$12.7 million or 5.96% of the original adopted budget. The largest drivers of the surplus were real estate, personal property, sales, meals, and lodging taxes. Despite best efforts to project these revenues, FY 23 continued to see revenue recovery and growth that surpassed pre-pandemic estimates. The revenue trends used for FY 24 took this growth into account but also anticipates a return to a more modest growth trend.

The following reflects the anticipated FY 23 revenue results:

FY 2023 Revenue Projections

<u>Local Taxes</u>	<u>FY 2023 Budget</u>	<u>FY 2023 Revised*</u>	<u>Change</u>
Real Estate Tax	\$ 89,487,993	\$ 94,442,906	\$ 4,954,913
Personal Property Tax	12,000,000	14,175,000	2,175,000
Public Service Tax	1,589,086	1,630,567	41,481
Penalties and Interest	415,000	650,000	235,000
Utility Taxes	4,600,000	4,600,000	-
Virginia Communications Sales and Use Tax	2,125,000	2,200,000	75,000
Tax on Bank Stock	1,200,000	1,171,000	(29,000)
Tax on Wills & Deeds	725,000	728,000	3,000
Sales & Use Tax	13,900,000	14,300,000	400,000
Transient Room Tax	7,000,000	8,123,000	1,123,000
Meals Tax	14,075,026	15,785,363	1,710,337
Cigarette Tax	550,000	500,000	(50,000)
Vehicle Daily Rental	82,500	166,160	83,660
Plastic Bag Tax (<i>*implementation currently underway</i>)	-	20,000	20,000
<u>Licenses and Permits</u>			
Business & Professional Licenses	\$ 8,700,000	\$ 10,072,372	\$ 1,372,372
Vehicle Licenses	890,000	191,926	(698,074)
<u>Intergovernmental Revenue</u>			
State Highway Assistance	\$ 4,263,654	\$ 5,034,812	\$ 771,158
State Aid for Police Protection	2,238,352	2,460,982	222,630
<u>Miscellaneous Revenues</u>			
Interest Income	\$ 580,000	\$ 1,050,000	\$ 470,000
Transfer from Parking Fund	500,000	-	(500,000)
Miscellaneous Revenues			
<u>Designated Revenues</u>			
Meals Tax Designated for the Debt Service Fund	\$ 2,564,974	\$ 2,870,065	\$ 305,091
Total Revenue Budget Surplus			\$12,685,568

**Projected as of July 10, 2023*

Surplus as a % of Total Budget 5.96%

Expenditure Budget Projections

City departments have until mid-July to finish processing invoices for FY 23 expenditures. Additionally, Finance will be spending the next few months closing out the year which includes finalizing interfund transfers, which can represent large changes to expenditures in the General Fund before being finalized.

However, we do anticipate budgetary savings in expenditure as well. As we have discussed, the largest driver of expenditure savings relates to personnel vacancies that the City continues to experience. For FY 23, vacancy savings accounted for budgetary savings of approximately \$7M which will also contribute to the year-end surplus.

Once the books are officially closed and the audit is complete, the Finance Director will present the final surplus amount to Council. This is typically reported in December. Per City policy, the surplus will be transferred to the Capital Projects fund and available for Council to use for future capital expenditures unless Council directs otherwise.

**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.*