

CITY OF CHARLOTTESVILLE, VIRGINIA. CITY COUNCIL AGENDA.



Agenda Date:	December 21, 2021.
Action Required:	Public Hearing and Council Appropriation (1 st of 2 readings).
Presenter:	Chris Cullinan, Director of Finance.
Staff Contacts:	Chris Cullinan, Director of Finance. Krisy Hammill., Senior Budget and Management Analyst.
Title:	Year-End Adjustments Fiscal Year 2021.

Background:

The audit for Fiscal Year (FY) 2021 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 FY2021, the General Fund ended \$5.5 million in excess of its 17% fund balance policy.

COVID 19 influenced the City's finances in FY 2021 as several economically sensitive revenues (Lodging Taxes, Meals Taxes, and Personal Property Taxes) performed under budget and below FY2020 levels. Fortunately, Real Estate Taxes (the City's largest revenue source for the General Fund) performed slightly better than expected as real estate values increased and property owners were able to make their payments in full and on time. The City's Sales Tax receipts also performed better than expected because of greater online sales during the pandemic and consumer spending on nondiscretionary goods (such as groceries).

General Fund expenditures were below budget which helped offset reduced revenue performance. Several large departments had salary and benefit savings from vacant positions. Departments also saw savings as a result of reduced levels of service and closed facilities resulting from the pandemic. The City also used received \$8.2 million of CARES Act funds which were used for eligible expenses in lieu of the City using its own funds (Note: the surplus General Fund revenues do not include CARES funds as these are accounted for in a separate fund).

Recommendation/Carryover Request:

Staff have three recommendations for City Council's consideration:

1. Transfer \$6,674,971 from the Citywide Reserve-Economic Downturn account to the CIP Contingency account. The FY2021 budget included a reserve in anticipation of COVID 19 having a negative impact on the City’s revenues. This reserve was created by not transferring funds from the General Fund to the CIP. While this strategy was in contradiction to the City’s financial management policies, it was deemed prudent in light of the extraordinary and uncertain circumstances caused by the pandemic. As the fiscal year progressed, the City did not need to use these reserves. Now that the fiscal year is complete, staff recommends City Council transfer these funds to the CIP Contingency account in acknowledgement of how the reserve was created in the first place and the need for additional capital funds.

2. Transfer \$5,503,327 from the General Fund fund balance to 2213001000 for employee compensation. Per City policy, the surplus fund balance amount is recommended to be transferred to the CIP Contingency account. However, discussions with City Council and city management indicate a desire that employee compensation be the focus of utilizing surplus funds. The proposed use of these funds includes:

* A \$3,500 bonus for all employees who worked full time between January 1, 2021 and November 26, 2021. This is “thank you” for their service and essential work during what has been a difficult year. For employees who joined the City during the year or are seasonal/part time/temporary, they will receive a pro-rated amount of the \$3,500 based on when they started and/or hours worked during the year.

* A 6% pay adjustment for all employees. This is a market adjustment which recognizes the need for the City to retain and recruit qualified employees.

3. Transfer \$6,393 from General Fund fund balance to City Treasurer’s Office. In April of 2019, the City Treasurer’s Office opened a DMV Select Office in the lobby of City Hall. The agreement with the Commonwealth included language by which excess funds generated by the DMV transactions would be remitted to the Treasurer’s Office to compensate for additional processing costs. The amount listed above reflects the excess revenue from FY2021 due to the Treasurer’s Office in accordance with the DMV Select contract.

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 memo.

Community Engagement:

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

Budgetary Impact:

As noted above, the recommended transfer from the Citywide Reserve-Economic Downturn account to the CIP Contingency account is in accordance with the City’s financial policy and contributes towards a “pay as you go” (PAYGO i.e. cash) C.I.P. versus issuing bonds. The bonus recommendation is a one-

time expense which is an appropriate use of a one-time revenue. The midyear market adjustment does have on-going costs. Staff's analysis of current year revenues and future revenues indicate these pay increases are sustainable in the future.

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.
2. FY 2021 Year End Appropriation.

To: Members of City Council.
From: Chris Cullinan, Director of Finance.
Krisy Hammill, Senior Budget and Management Analyst.
Date: December 20, 2021
Subject: **Fiscal Year 2021 End of Year Adjustments.**

In order to close the City’s financial records for Fiscal Year 2021, 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 Fund.
- Section IV – School Gainsharing.

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.

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

The following appropriations are carryovers of unspent funds and shall be considered continuing appropriations unless further altered by Council.

- City Treasurer’s Office. \$6,393.

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

- Transfer to Employee Benefits \$5,503,327.
There funds will be used for employee compensation.
- Transfer to Capital Projects Fund \$6,674,971.
These funds will be transferred to the C.I.P. Contingency Fund per the City’s financial policy.

II. Facilities Repair Fund.

- Courthouse Maintenance (P-00099) - \$6,130 - 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) - \$8,014 – 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.

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

- \$1,384 – these funds will be used for additional qualifying State Fire Grant expenditures (1900010).

IV. Schools Gainsharing.

In 1998, the School Board and City Council entered into a gainsharing agreement. This agreement mandates that the first \$100,000 to go to facilities for School Capital Improvement Projects, the next \$100,000 is retained by the Schools in the General Fund and then any amount over \$200,000 will be shared equally (50/50) between the School Board and the City. For the year ending June 30, 2021, the Schools had an operating surplus of \$387,250. According to the formula, \$100,000 will be contributed to the City's School Lump Sum Project Fund, \$193,625 will be retained by the City Schools and \$93,625 will be returned to the City.

Cc: Lisa Robertson, City Attorney.

FY 2020 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, 2021. The memo to Council dated December 20, 2021 is hereby made part of this appropriation.

I. 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 and shall remain as continuing appropriations unless further altered by Council:

1901001000 City Treasurer's Office.	\$6,393.
-------------------------------------	----------

Total Section I (a).	<u>\$6,393.</u>
----------------------	-----------------

(b) Additional Transfers and Appropriations.

2213001000. Transfer to Employee Benefits.	\$5,503,327.
--	--------------

9803030000. Transfer to Capital Projects Contingency Fund.	\$6,674,971.
--	--------------

Total Section I (b).	<u>\$12,178,298.</u>
----------------------	----------------------

II. Facilities Repair Fund (107).

- Courthouse Maintenance (P-00099) - \$6,130 - 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) - \$8,014 – 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.

Total Section II.	<u>\$14,144.</u>
-------------------	------------------

III. Grants Fund (209).

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

- \$1,384 – these funds will be used for additional qualifying State Fire Grant expenditures (1900010).

Total Section III.

\$1,384.

IV. Schools Gainsharing.

In 1998, the School Board and City Council entered into a gainsharing agreement. This agreement mandates that the first \$100,000 to go to facilities for School Capital Improvement Projects, the next \$100,000 is retained by the Schools in the General Fund and then any amount over \$200,000 will be shared equally (50/50) between the School Board and the City. For the year ending June 30, 2021, the Schools had an operating surplus of \$387,250. According to the formula, \$100,000 will be contributed to the City's School Lump Sum Project Fund and \$193,625 will be retained by the City Schools.