



MEMORANDUM

TO: Timothy J. Baroody, City Manager
FROM: Mark Whitley, Assistant City Manager
RE: Resolution Assigning General Fund Balance to Pandemic Response
DATE: March 17, 2020

ISSUE

Shall the City Council assign fund balance in the General Fund to help meet the challenges of the current Covid-19 pandemic?

RECOMMENDATION

Staff recommends adoption of the attached resolution, which requires one reading.

BACKGROUND

The City of Fredericksburg is responding to a global pandemic related to a new version of coronavirus. The coronavirus infection is known as “COVID-19.” The easy transmission of the new virus and the severity of the illness for a subset of those infected have created a public health emergency situation.

The World Health Organization has designated the “COVID-19” as a global pandemic. The federal government, state government, and City government have all in declared states of emergency involving various measures to fight the pandemic.

The major strategy currently in use to slow the spread of the disease is known as “social distancing.” The measures in place to keep people apart from one another – cancelling large gatherings and events, remote working, closing schools, etc. – are intended to slow the spread of the disease so our health system is not overwhelmed.

These measures will also have a major impact on the City’s finances. Large portions of City revenues come from businesses centered around social activity, such as meals tax, lodging tax, sales tax, and admissions tax. These revenue streams will begin to decline as the “social distancing” measures reduce their ability to operate.

The City will also need to undertake active measures to respond to the “COVID-19” pandemic. The City’s additional expenditures may eventually be reimbursed to some degree by the federal government through FEMA, but there is often a local match and a delay in receiving such funds. The City may also find it wise to take measures that would fall outside of FEMA reimbursement policies.

The attached resolution is an effort to prepare for the loss of revenue related to the pandemic and the possibility of additional expenditures, in both the current FY 2020 budget and the upcoming FY 2021 budget.

FISCAL IMPACT

There is no question that the COVID-19 pandemic and the measures underway to promote social distancing will have a negative impact on the City's finances – as with much of our community.

As of the close of FY 2019, the City's Unassigned Balance in the General Fund is \$18,246,141. The City Council authorized the use of \$500,000 of Unassigned Fund Balance for FY 2020, in the original FY 2020 budget. Budget amendments to account for ongoing projects have increased that total to \$596,756. The fund balance that is available to Assign, that has not already been appropriated, is therefore \$17,649,385.

The attached resolution would assign \$2,000,000 for the City's use for spending related to the pandemic or as a source for continuing operations as revenue collections decrease. The following table shows the activity for the Unassigned General Fund Balance, including the \$2,000,000 assignment in the attached resolution. The City Council's policy target of at least 12% of prior year revenue is still met. Actual use of unassigned fund balance in FY 2020 would vary depending upon results at the close of the fiscal year.

Unassigned General Fund Balance	
FY 2019	\$18,246,141
FY 2020 (Budgeted)	(\$596,756)
Attached Resolution	(\$2,000,000)
Unassigned & Unbudgeted	\$15,649,385
FY 2019 Revenue	\$95,938,754
Policy Test % of Prior Year Revenue	16.31% (Current Policy sets target at least 12%)

The following table places the Unassigned Balance in the General Fund in the context of the overall balance sheet for the General Fund. The Unassigned Balance has been marked in blue font.

General Fund Balance Budgeted Activity & Assignments – FY 2020

General Fund	FY 2019	FY 2020 Budget As Amended	Attached Resolution	FB Net of FY 2020 Appropriations and Attached Resolution
<i>Non-spendable</i>				
Inventory	\$27,863	\$ -	\$ -	\$27,863
Pre-paids	\$434,060	\$ -	\$ -	\$434,060
<i>Restricted</i>	\$ -	\$ -	\$ -	\$ -
<i>Committed</i>				
City Capital Projects	\$5,188,550	(\$3,523,000)	\$ -	\$1,665,550
School Capital Projects	\$1,000,000	\$ -	\$ -	\$1,000,000
Health Insurance Claims	\$800,000	\$ -	\$ -	\$800,000
Other Purposes	\$573,626	(\$573,626)	\$ -	\$ -
<i>Assigned</i>				
Detention Stabilization	\$1,571,004	(\$635,000)	\$ -	\$936,004
Economic Development Opportunities	\$75,000	\$ -	\$ -	\$75,000
Telling Our Story	\$250,000	\$ -	\$ -	\$250,000
<i>Unassigned</i>	\$18,246,141	(\$596,756)	(\$2,000,000)	\$15,649,385
Total GF Balance	\$28,166,244	(\$5,328,382)	(\$2,000,000)	\$20,837,862

Actual use of fund balance in FY 2020 would vary depending upon results at the close of the fiscal year.

Attachment: Resolution



March 20, 2020
Regular Meeting
Resolution 20-__

MOTION:

SECOND:

RE: Assigning Fund Balance in the General Fund for Pandemic Response

ACTION: APPROVED: Ayes: 0; Nays: 0

The City of Fredericksburg is responding to a global pandemic related to a new version of coronavirus. The coronavirus infection is known as “COVID-19.” The easy transmission of the new virus and the severity of the illness for a subset of those infected have created a public health emergency situation.

The World Health Organization has designated the “COVID-19” as a global pandemic. The federal government, state government, and City government are all in declared states of emergency to assist with various measures to fight the pandemic.

The finances of the City will be impacted by these events. Revenues for the City will be curtailed as a result of the “Social Distancing” policies needed to slow the spread of the virus. In addition, the City will need to undertake active measures to respond to the pandemic.

The City Council wishes to Assign Fund Balance in the General Fund to allow for Pandemic Response.

Now, therefore, be it resolved by the City Council that \$2,000,000 of Unassigned Fund Balance is assigned to the purpose of Pandemic Response, effective immediately.

Votes:

Ayes:

Nays:

Absent from Vote:

Absent from Meeting:

Clerk’s Certificate

I certify that I am Clerk of Council of the City of Fredericksburg, Virginia, and that the foregoing is a true copy of Resolution No. 20-xx, adopted at a meeting of the City Council held _____ 2020, at which a quorum was present and voted.

***Tonya B. Lacey, MMC
Clerk of Council***