



MEMORANDUM

TO: Timothy J. Baroody, City Manager
FROM: Mark Whitley, Assistant City Manager
RE: Final Budget Adjustments – FY 2021
DATE: *Revision: October 5, 2021 for the October 12, 2021 Meeting*
Original: September 21, 2021 for the September 28, 2021 Meeting

A handwritten signature in black ink, appearing to read 'Mark Whitley', is positioned to the right of the 'FROM:' line.

ISSUE

Shall the City Council approve a budget amendment to the FY 2021 budget for final budget adjustments in preparation for the FY 2021 audit?

RECOMMENDATION

{Revised: Yes. Staff recommends adoption of the attached resolution on second reading.}

Yes. Staff recommends that the City Council approve the attached resolution on first reading. Second reading would be scheduled for October 12, 2021.

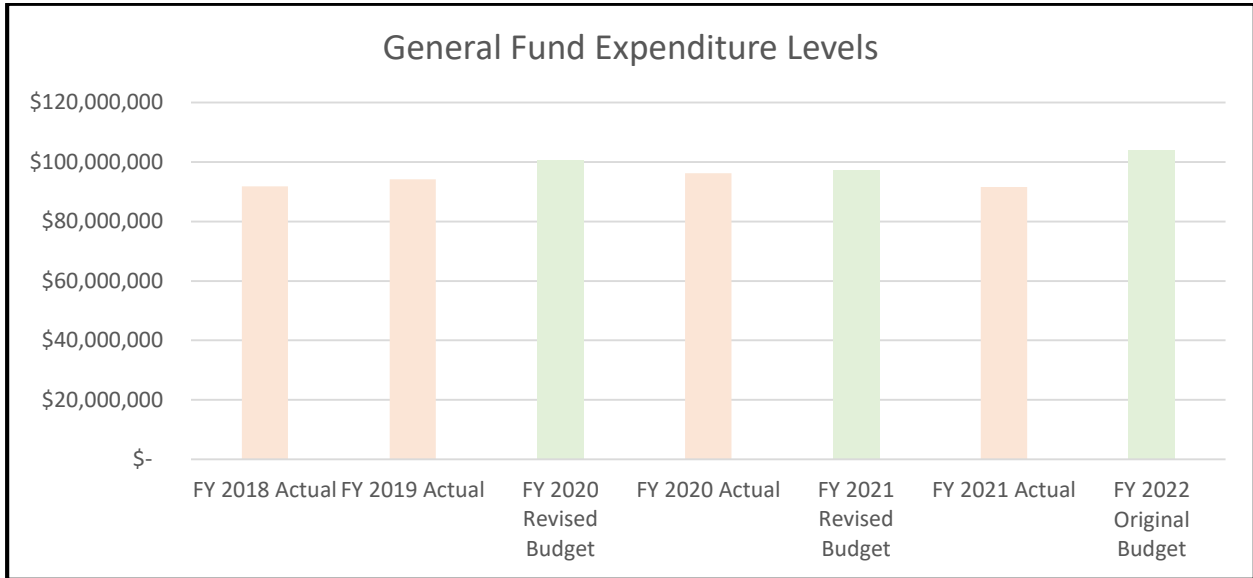
BACKGROUND

The City of Fredericksburg Finance Department is working to prepare for the FY 2021 audit, for the fiscal year July 1, 2020 through June 30, 2021.¹ Although the results for FY 2021 at this point are unofficial and unaudited, preliminary results are included here for the City Council along with the final budget entries necessary to close the year.

Historical Context

FY 2021 was an unusual fiscal year because of the upheaval related to the global pandemic. The City Council reduced the FY 2021 budget, which was considered and reviewed during the spring of 2020 as the pandemic and the associated economic turmoil was in the initial stages. The FY 2022 original budget for the General Fund is \$103.9 million. The chart below is based on the actual expenditure levels of FY 2018, FY 2019, and FY 2020; the revised budgets for FY 2020 and FY 2021; the preliminary actual expenditures for FY 2021; and the original budget for FY 2022.

¹ There is a forty-five day period after June 30 where accounting entries that represent activity of the prior fiscal year are made – that is, through August 15, 2021.



Preliminary Results (Unaudited)

The City’s General Fund will show a positive result in FY 2021, as a result of stronger than expected revenues and expenditures that were under budget for the year.

Total revenues² for FY 2021 were more than expected in the General Fund, as sales tax, real estate tax, business license tax, and meals tax exceeded budget forecasts. The actual revenue performance rebounded from the downturn experienced in the spring of 2020. The total revenue for the General Fund is currently \$98.8 million.

Expenditures were lower than normal, thanks to a variety of factors. Total expenditures for the City General Fund was approximately \$91.9 million – approximately \$4 million less than last year’s expenditure level and less than the final revised budget level of \$97.4 million. The City was able to utilize Coronavirus Relief Funds through the CARES Act to offset certain expenditures – in particular public safety salaries, but also pandemic-response related expenditures as well. The City also experienced employee vacancies, and our encumbrances³ are much higher than the last several years, as items ordered have not yet been delivered as of the close of the fiscal year. General Fund Encumbrances at the close of FY 2021 total approximately \$800,000 while the average over the last three years is approximately \$350,000.

The City currently will add (including the final adjustments below) approximately \$6.9 million to the fund balance at year end. The attached resolution utilizes those funds to add \$6 million to the committed fund balance in the General Fund - \$4 million to the school capital project and \$2 million to other capital projects. This use of balance will help to offset future debt

² The discussion here Includes internal transfers to and from the General Fund.

³ Encumbrances represent items that are ordered but not yet delivered as of the close of the fiscal year. Encumbrances are recorded as an assignment of fund balance at are carried forward to the next year’s budget – in this case FY 2022.

requirements, and the \$4 million for the Schools will complete the \$6 million that the Council pledged as part of Resolution 21-41 in support of constructing a new school.

The City's auditors should be on-site next week to perform field work, and the auditors and the City's Finance Department are on track to complete the annual financial report for FY 2021 at the December 14, 2021 Council meeting.

{Update: Council Member Kelly asked about the level of support from the CARES Act in FY 2021 for public safety salaries. Excluding overtime and hazardous pay bonuses, the total salaries paid for City personnel from the CARES Act was \$1,433,247. With related benefits, that amount is \$1,941,940.19.}

Final Adjustment – Multi-Purpose Stadium Fund

The City Council is requested to adopt a resolution that will make a budget adjustment to the Multi-purpose Stadium Fund. The Multi-purpose Stadium Fund was established by the City Council to account for the City's Funding Commitment of \$1,050,000 for the City's right to use the stadium and all of the club's material obligations under the agreement. The City pledged the tax revenues for the stadium, plus other payments associated with the project, to help make this payment.

The pandemic severely impacted the operations of the stadium during FY 2021. There was no minor league season during calendar year 2020, and the opening of the season in 2021 was also constrained by pandemic restrictions. For that reason, the revenues associated with the stadium were not sufficient to pay the City's Funding Commitment for FY 2021.

The attached resolution will recognize available General Fund revenues and transfer \$570,000 to the Multi-purpose Stadium Fund, plus authorizes the use of fund balance available from FY 2020, so that the balance of that fund is not in a negative position at the close of the Fiscal Year. The City Council will continue to evaluate the future funds available for the Multi-purpose Stadium Fund for the possible re-purposing of future positive balances in the Fund for future needs – either restoring to the General Fund, or directly helping to fund general government capital or school projects.

FISCAL IMPACT

The attached resolution increases the total appropriation authority in the General Fund by \$570,000 for the purpose of transferring that total to the Multi-purpose Stadium Fund to prevent a negative balance in that Fund. Those funds are then used to adjust revenues within the Multi-purpose Stadium Fund so that this fund does not have a negative balance at the close of the fiscal year.

Attachment: Resolution



September 28, 2021
Regular Meeting
Resolution 21-81

MOTION:

SECOND:

RE: Amending the Fiscal Year 2021 Budget for Final Adjustments

ACTION: APPROVED: AYES: 0; NAYS: 0

FIRST READ: September 28, 2021

SECOND READ: _____

The City Council wishes to make final adjustments to the FY 2021 budget in preparation for the annual financial report. The adjustment necessary is to provide funding to the Multi-Purpose Stadium Fund to offset revenues lost in the fund, as the 2020 and part of the 2021 season was lost due to the COVID-19 pandemic.

City Council further wishes to commit fund balances that are forecast to become available at the close of FY 2021 to help offset the cost of major capital projects.

Section 1. Final Adjustment

General Fund (Fund 100)

Sources

Meals Tax	100 312110	\$ 570,000
Total		<u>\$ 570,000</u>

Uses

Interfund Transfers

Transfer to Multi-Purpose Stadium Fund	10093100 492240	\$ 570,000
Total		<u>\$ 570,000</u>

Multipurpose Stadium Fund (Fund 217)

Sources

Fund Balance – Committed	217 361010	\$ 110,000
Transfer from General Fund	217 341050	\$ 570,000
Total		<u>\$ 680,000</u>

Uses

Multi-Purpose Stadium Fund Revenues

Real Estate Current Taxes	217 311010	\$ 250,000
Local Sales and Use Taxes	217 312010	30,000
Business License Taxes	217 312030	50,000

Amusement Taxes	217 312090	170,000
Meals Taxes	217 312110	\$ 180,000
Total		<u>\$ 680,000</u>

City Council further resolves that in future fiscal years and in accordance with other agreements, the funds that may accrue in the Multi-Purpose Stadium Fund from more normal operational years may be recovered and utilized for general government or school purposes.

Section 2. Fund Balance Commitment

City Council further resolves that the following amounts of fund balance are committed as of the close of FY 2021 to the following purposes:

- 1) School Capital Needs \$4,000,000
- 2) Capital Projects \$2,000,000.

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. 21-81 adopted at a meeting of the City Council held September 28, 2021 at which a quorum was present and voted.

Tonya B. Lacey, MMC
Clerk of Council