



MEMORANDUM

TO: Timothy J. Baroody, City Manager
FROM: Mark Whitley, Assistant City Manager
RE: Release and Re-assignment of Fund Balance Assigned for Pandemic Response
DATE: March 30, 2022 (for the April 12, 2022 Council Meeting)

ISSUE

The City Council is asked to consider a resolution that releases the fund balance that was assigned to pandemic response in March of 2020, and assigning that fund balance for other purposes.

RECOMMENDATION

This item is recommended for approval, and requires one reading.

This item was included as a transmittal for information only on the March 8, 2022 City Council meeting.

BACKGROUND

The City of Fredericksburg maintains a fund balance policy for the General Fund that specifies that the Unassigned General Fund balance should meet or exceed 12% of the prior year's revenues. At the close of FY 2021, the City's unassigned General Fund balance of \$17,109,666 represented 18.03% of the FY 2020 revenue of \$94,894,154.

Fund balance in excess of the policy target may be assigned or committed by City Council for future needs. For example, the City currently maintains assignments for future capital needs, future school capital needs, and health insurance claims.

In March of 2020, the global pandemic related to the COVID-19 virus was developing, and public health emergency measures were underway that were affecting the community. The City Council at that time wisely set aside \$2,000,000 of Unassigned fund balance for potential pandemic response measures.

Through a combination of factors, including generous support from the federal government, good recovery of parts of our local economy, and reductions in expenditures, the City did not need to appropriate or use the fund balance set aside for pandemic response. At this point in the global pandemic, staff recommends releasing the assignment for pandemic response and re-assigning those for future City capital needs and the jail stabilization fund.

The table below shows the General Fund balance at the close of FY 2021, and the currently amended budget for FY 2022 on the fund balance.

General Fund Balance Budgeted Activity & Assignments

| General Fund | FY 2021 ¹ | FY 2022 Budget As Amended | Attached Resolution | FB Net of FY 2022 Appropriations and Attached Resolution |
|--|----------------------|------------------------------|------------------------|--|
| <i>Non-spendable</i> | | | | |
| Inventory | \$ 24,801 | \$ - | \$ - | \$ 24,801 |
| Pre-paids | \$ 148,677 | \$ - | \$ - | \$ 148,677 |
| <i>Restricted</i> | \$ - | \$ - | \$ - | \$ - |
| <i>Committed</i> | | | | |
| City Capital Projects | \$ 6,128,926 | (\$ 4,133,409) | \$ 1,500,000 | \$ 3,495,517 |
| School Capital Projects | \$ 6,000,000 | (\$ 1,000,000) | \$ - | \$ 5,000,000 |
| Health Insurance Claims | \$ 800,000 | \$ - | \$ - | \$ 800,000 |
| Other Purposes ² | \$ 1,028,249 | (\$ 785,454) | \$ - | \$ 242,795 |
| <i>Assigned</i> | | | | |
| Detention Stabilization | \$ 1,571,004 | (\$ 631,428) | \$ 500,000 | \$ 1,439,576 |
| Pandemic Response | \$ 2,000,000 | \$ - | (\$ 2,000,000) | \$ - |
| Economic Development Opportunities | \$ 75,000 | \$ - | \$ - | \$ 75,000 |
| Telling Our Story | \$ 45,000 | (\$ 45,000) | \$ - | \$ - |
| <i>Unassigned</i> | \$ 17,109,666 | \$ - | \$ - | \$ 17,109,666 |
| Total GF Balance | \$ 34,931,323 | (\$ 6,595,291) | \$ - | \$ 28,336,032 |

It is important to remember that the actual use of fund balance is not known until the close of the fiscal year, and depend on the actual results of revenues and expenditures in the General Fund. If actual revenues exceed budget forecasts, and if actual expenditures are lower than

¹ See City of Fredericksburg Annual Comprehensive Financial Report, p. 59

² Generally, the "other purposes" category represents year-end encumbrances of ongoing contracts that have not yet been fulfilled at the close of the fiscal year. Encumbrances are updated, validated, and "rolled over" at the close of each fiscal year.

budgeted expenditures, then the amount of fund balance used will be less than the use shown in the budget resolutions.

The FY 2023 Recommended Operating Budget includes a use of \$3,077,000 in fund balance assigned for City capital needs. In addition, the FY 2023 Recommended budget does not include a contribution to the jail stabilization fund based on the reduced amount for jail expenditures. The re-assignment of a portion of the pandemic response to the Jail Stabilization account exceeds the amount that would be required for FY 2023 by policy, which is one-half the expenditure reduction (\$214,915).

FISCAL IMPACT

The attached resolution would release the fund balance assigned for pandemic response and assign \$500,000 to the Jail Stabilization account, and commit \$1,500,000 to future City capital needs.

Attachment: Resolution



MOTION:

**March 22, 2022
Regular Meeting
Resolution 22-__**

SECOND:

RE: Releasing & Re-Assigning Fund Balance Assigned for Pandemic Response

ACTION: APPROVED: AYES: 0; NAYS: 0

In March of 2020, as the global pandemic was in its early stages, the City Council assigned \$2,000,000 of Unassigned General Fund Balance to pandemic response needs.

Through a combination of factors, including generous support from the federal government, good recovery of parts of our local economy, and reductions in expenditures, the City did not need to appropriate or use the fund balance assigned for this purpose. At this point in the global pandemic, the City Council wishes to release the assignment for pandemic response and assign them to other purposes.

Specifically, the City Council wishes to add \$1,500,000 to the existing commitment to future City capital needs, and assign \$500,000 to the jail stabilization account.

Therefore, City Council resolves that the \$2,000,000 assignment for fund balance for pandemic response is released. Further, the City Council assigns \$500,000 to the Jail Stabilization Reserve in the General Fund, and commits \$1,500,000 to the existing fund balance commitment for future City capital needs.

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., adopted at a meeting of the City Council held March 22, 2022 at which a quorum was present and voted.

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