



**MEMORANDUM**

**TO:** Timothy J. Baroody, City Manager  
**FROM:** Mark Whitley, Assistant City Manager  
**RE:** Fund Balance Assignment – School Operations  
**DATE:** April 19, 2023 (for the April 25, 2023 City Council Meeting)

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**ISSUE**

Shall the City Council commit an amount of \$484,500 of Unassigned Fund Balance in the General Fund to assist the Fredericksburg City Public Schools in fiscal planning for FY 2024?

**RECOMMENDATION**

Yes. The staff recommends approval of the attached resolution, which requires one reading.

**BACKGROUND**

The General Assembly has not adopted substantial amendments to the FY 2022-2024 biennial budget. The Fredericksburg City Public Schools proposed budget is based upon the Governor’s proposed amendments, and includes \$23,896,631 of state revenue. The City does not expect any resolution on any amendments to the state budget prior to late June.

The FCPS must put together their contracts for the upcoming year, and cannot wait until the General Assembly has completed their amendments to the budget to act. The General Assembly’s amendments, depending upon the decisions made, could create a substantial funding shortfall for City Schools, or, conversely, provide more than sufficient funding for school operations. Contracts are noted to be subject to available funding; however, it is far better to have a plan in place so that recruitment and retention is on a solid foundation for the upcoming school year.

To facilitate the process of fiscal planning for the schools, the attached resolution creates a temporary Commitment of Fund Balance for \$484,000 for School Operations. The original request for local funding for FY 2023 from the City was for \$734,500 in additional local revenue. The City Manager’s Recommended Budget includes an additional \$250,000 in additional local revenue, and the assignment amount is equal to the difference.

The resolution provides some assurance to the schools that at least \$484,500 in funding would be available should the actions<sup>1</sup> of the General Assembly create a substantial funding shortfall.

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<sup>1</sup> Or, inaction of the General Assembly. If no budget amendments are adopted by the General Assembly, the funding for schools would remain at the currently adopted budgetary levels.

## **ITEM # 11I**

Should a shortfall become apparent, City Council would still need to amend the FY 2024 budget to appropriate some or all of the funds in the new Commitment of Fund Balance. If the funds are not needed, the resolution removes the commitment at the close of August, 2023, and the funds revert to the Unassigned Fund Balance.

### **FISCAL IMPACT**

The City's Unassigned Fund Balance in the General Fund at the close of FY 2022 was \$20,021,774. This amount is 20.47% of the prior year revenue, which is above the established fund balance policy goal of 12%.

The current FY 2023 budget includes authorization to use \$1,114,139 in Unassigned Fund Balance, although it is unlikely that amount would be actually used at the close of the fiscal year. The total authorized use of fund balance in the FY 2023 budget, including all categories of Committed Fund Balance as well as the Unassigned Balance, is \$10,034,349. Actual levels of fund balance are determined at the close of the fiscal year based upon the actual levels of revenues and expenditures.

The currently proposed FY 2024 budget does not include the use of Unassigned Fund Balance.

Should the City Council, if needed, amend the budget and appropriate the use of the \$484,000 for School Operations the level of Unassigned balance would not fall below the policy threshold.

Attachment: Resolution



April 25, 2023  
Regular Meeting  
Resolution 23-

**MOTION:**

**SECOND:**

**RE:               Committing Unassigned Fund Balance for School Operations**

**ACTION:           APPROVED: AYES: ; NAYS:**

The Fredericksburg City Public Schools are working to address their operations needs for FY 2024. The Virginia General Assembly is considering, but has not adopted, amendments to the state's biennial budget that would provide additional funding for the schools for FY 2024.

The City Council wishes to assist the fiscal planning efforts of the Fredericksburg City Public Schools by committing a portion of the City's Unassigned General Fund Balance for school operations. Should the actions of the General Assembly create a major shortfall in funding for the Fredericksburg City Public Schools, the City Council may amend the FY 2024 budget utilizing the Committed Fund Balance to provide additional funding for the schools.

The Commitment is temporary, and if the City Council at its sole discretion does not amend the budget to utilize the Commitment by August 31, 2023, the Commitment reverts to Unassigned Fund Balance.

Therefore, City Council resolves that an amount of **\$484,500** of Unassigned Fund Balance is Committed to School Operations. The City Council further resolves that if the Committed amount is not appropriated for school operations purposes prior to August 31, 2023, then the Committed amount reverts to the Unassigned Fund Balance.

**Votes:**

**Ayes:**

**Nays:**

**Absent from Vote:**

**Absent from Meeting:**

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***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. 23-, adopted at a meeting of the City Council held April 25, 2023 at which a quorum was present and voted.*

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