



# Transmittal



## MEMORANDUM

TO: Honorable Mayor and Members of City Council  
FROM: Timothy J. Baroody, City Manager  
RE: Recommended Operating Budget for FY 2023  
DATE: March 8, 2022

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I am pleased to present the FY 2023 City Manager's Recommended Operating Budget, which will begin on July 1, 2022. The Recommended Budget for FY 2023 is a balanced budget that represents a responsible spending plan for the upcoming fiscal year, with an eye to the future. Significant work has gone into ensuring that this Recommended Budget is fiscally responsible, advances the City Council's Vision and Priorities, supports our schools and our workforce, and meets the needs of a growing community.

The FY 2023 Recommended Budget anticipates continued positive growth in revenues. The large majority of the City's key revenue sources have proved more resilient in the last year through the pandemic as restrictions have continued to be lifted. The FY 2023 budget reflects increased projections in consumption related taxes including sales tax, meals tax, lodging tax, admissions tax, and business license tax. These revenue sources can also largely be impacted by record inflation rates as seen throughout the economy. Another variable in the FY 2023 budget includes the use of American Rescue Plan Act funds (ARPA) to offset one-time operating capital needs. In addition to robust organic revenue growth this budget relies on a recommended \$.03 real estate tax increase, from \$0.83 to \$0.86 per \$100 in valuation which will generate approximately \$1,350,000 in general fund revenue.

The Recommended General Fund budget of \$110,954,755 is an increase of \$2,915,245, or 2.7% from the FY 2022 revised General Fund appropriation of \$108,039,510. The General Fund is the primary fund for most City operations. This budget document also includes recommendations for a variety of other operating funds, including the City's main enterprise funds: Water Operating, Wastewater Operating, Transit Operating, and the Parking Fund.

The City's departments, officers, and partner agencies strive to meet growing and ongoing service and maintenance needs. Although the City Manager's Office always reduces the departments' requested amount prior to forming a final recommended budget for Council consideration, the total requested General Fund budget for FY 2023 included 29 full-time positions and totaled over \$122 million, which suggests the magnitude of growth in demand for City services and infrastructure.

## FY 2023 Recommended Budget in Context

The FY 2023 Recommended Operating and Capital Budget represents our best recommendations and forecast in an environment of rapid change and heightened uncertainty.

### Pandemic

The global pandemic that began in earnest in the winter of 2020 is now entering a phase where the last of several waves, the omicron wave, is ending and infection rates and hospitalization rates are declining rapidly. The economic and social disruptions caused by the pandemic are not over, and new variants could still occur. However, the Recommended Budget for FY 2023 is based on a continuing “return-to-normal” outlook, and the revenue projections and certain expenditure activity, for example with Parks & Recreation, reflect this thinking.

### Inflation

The FY 2023 Recommended Budget is a budget that is constructed in an environment of accelerating inflation. The U.S. Bureau of Labor Statistics indicates that from January 2021 to January 2022, the Consumer Price Index for All Urban Consumers (CPI-U) increased by 7.5% - the largest increase since 1982.

Energy prices have risen especially quickly over this period. The Recommended Budget does increase amounts for fuel and electrical services, and efforts to decrease the City’s energy usage overall should continue.

The local labor market remains tight as well, and wages continue to climb. The Recommended Budget includes a general raise for employees of 4% in July and adds to the mid-year \$1000 raise Council just approved for most employees. This increase is to try and help offset the impact of rising prices throughout the economy, and secondarily to try and maintain our competitive position in the local labor market.

### Major Capital Projects – Debt Service Allowance

The Recommended Budget in FY 2023 advances several major capital projects, including the Wastewater Treatment Plant renovation, new school, new fire station and stormwater projects. These projects include funding from existing cash balances, grants, funding through the American Rescue Plan Act, and debt issuance.

The General Fund for FY 2023 includes an allowance for a one-half payment for debt service that has not yet been issued. Interest rates are increasing, and are scheduled to increase more as the Federal Reserve Bank tightens rates in response to rising inflation. The allowance is for \$2,000,000 – which is based on a 4% interest rate. The final debt service number will change based on the final amount of the principal, the interest rates at the time of issuance, and the final debt service schedule for FY 2023.

It is important to remember that this allowance is only an estimate for a half-year of payments, and the FY 2024 budget will then be constructed with the full amount of annual debt service on the new issuance.

## General Assembly

The Virginia General Assembly is still in session as this budget is being prepared and considered. The state's financial position is excellent at the moment, and the City hopes to receive additional resources from the state. Key additional resources include a special \$27 million allowance for the City's Wastewater Treatment Plant and sewer conveyance system improvements, and possible additional funds or subsidies for school construction.

However, the General Assembly is also working on finalizing potential reductions to the sales tax on groceries, which may or may not include the local option 1% tax that is included in the City's sales tax receipts. Depending on the final outcome of all the state budgetary changes, the staff will carefully evaluate the impact on the City budget during the review period and provide options for changes to the budget for City Council consideration.

## Budget Highlights

### General Fund

- The recommended FY 2023 General Fund Budget is \$110,954,755, the FY 2022 original budget was \$103,916,388 and the current FY 2022 revised budget is \$108,039,510;
- Overall revenue forecasts, removing the use of fund balance, is to grow to \$107,527,755 or 6% over the revised budget revenues for FY 2022;
- A recommended 4% salary increase in City salaries, effective July 1, 2022;
- The General Fund transfer to Fredericksburg City Public Schools is recommended at \$30,500,000, an increase of \$450,734 over FY 2022;
- An increase of 3 cents per \$100 in valuation in the real estate tax rate, generating an estimated \$1,350,000 to support City services, increased personnel and operating costs, and additional debt service associated with the building of a school, fire station and stormwater capital projects;
- An increase in Community Planning and Building Department fees of an average of 13%;
- A General Fund transfer to the Capital funds of \$3,077,000, which is funded with use of committed capital fund balance;
- Implementation of an 8% increase in water rates and a 10% increase in wastewater rates;
- An increase in staffing levels as follows:
  - 5 General Fund positions
  - 1 Parking Fund position
  - 1 Social Services Fund position
  - 2 Utilities Fund positions
  - 4 Transit Fund positions.

### Revenues

Continued uncertainty around economic conditions continues to pose challenges to revenue forecasting, and city staff continue to monitor revenue performance closely. Consumption based revenues are getting back to pre-pandemic levels which is reflected in the recommended budget. The FY 2023 recommended budget includes approximately \$6.59 million in revenue growth from all general

fund sources excluding the proposed increase to the real estate tax rate. The overall revenue forecast reflected in the Recommended Budget, minus the use of fund balance, is \$107,527,755 which is \$6,083,536 greater than the FY 2022 Revised Budget’s forecast of \$101,444,219.

Several major revenue sources are presented in the table below:

<b>Revenue Forecasts – Key Local Revenues</b>				
	FY 2021 Actual	FY 2022 Revised	<b>FY 2023 Recommended</b>	Change, FY 2022 - 2023 (%)
Real Property Tax	\$34,275,334	\$35,870,000	<b>\$38,300,000</b>	6.77%
Sales Tax	\$13,842,064	\$14,150,000	<b>\$14,800,000</b>	4.59%
Meals Tax	\$11,199,108	\$11,000,000	<b>\$12,700,000</b>	15.45%
Personal Property Tax	\$9,323,356	\$9,600,000	<b>\$10,198,000</b>	6.64%
Business License Tax	\$6,914,851	\$6,500,000	<b>\$7,000,000</b>	7.69%
Consumer Utility	\$1,663,159	\$1,725,000	<b>\$1,725,000</b>	0%
Telecom Sales	\$1,335,079	\$1,400,000	<b>\$1,275,000</b>	-8.93%

## Real Estate

The Recommended Budget raises the real estate tax rate by three cents, from \$0.83 to \$0.86 per \$100 in valuation. This change is estimated to generate \$1,350,000 in new revenue in the General Fund. There is also additional revenue projected that is from total assessed value growth that accounts for supplemental assessments that will occur after the original land book is finalized as new construction gets completed. Two cents of the proposed \$0.86 per \$100 are dedicated towards stormwater infrastructure repairs and maintenance and regulatory compliance.

## Personal Property

The personal property rate is being recommended at the current rate of \$3.40 per \$100 of assessed value. Although as new vehicle inventories have been negatively impacted by the pandemic, the value of used vehicles has significantly increased. The National Automobile Dealers Association (NADA) expects the current shortage of new vehicles to continue through 2022 which in turn means the value of some used cars will see increased assessments for the upcoming valuation period.

## Sales Tax

The City forecasts higher sales tax collections in FY 2023 based on revenue collections over the course of the pandemic to date. While patterns of consumer expenditure have shifted in response to the crisis, a large share of this economic activity appears to still be captured in the tax base, with the Commonwealth attributing broader collections from taxation of online commerce offsetting declines in other sectors. Note that the sales tax projection for FY 2023 includes continuation of the Grocery Tax that is being considered for elimination by the State. If the Grocery Tax is eliminated the impacts to the City’s sales tax would be approximately a \$2.75M reduction in revenue.

## Water & Wastewater Fees

The City continues to face challenges related to capital projects in the Water Operating Fund and the Wastewater Operating Fund in FY 2023 and beyond. The Recommended Capital Improvements Plan includes approximately \$67 million in additional debt in the next five years, the majority of which is attributable to the wastewater treatment plant consolidation project. It is important to remember that this level of capital investment will significantly increase the debt service payments required in these funds. Although, the city has been proactively seeking State and Federal funding opportunities to help lower the debt burden to the ratepayers. The recommended FY2023 budget includes several of these sources in which the City is hopeful will be approved with the State budget process.

The recommended budget includes an 8% increase in water rates and a 10% increase in wastewater rates. The necessary rate increases are formulated using a rate model commissioned by the City and updated last month. This rate model incorporates all financial aspects of the operations of the water and wastewater systems. As previously mentioned, the largest driver in the need for the increase is needed funding for capital projects related to water and wastewater infrastructure.

## Planned Use of Fund Balance FY 2022 and FY 2023

The City judiciously uses fund balance to offset the costs of ongoing capital improvements and other one-time types of expenditures. In FY 2023 the recommended budgeted shows use of fund balance for capital projects and to fund the start of the reassessment process.

### Use of Fund Balance in FY 2022 and FY 2023 Recommended Budget

Category	FY 2022 Original	FY 2022 Revised	FY 2023 Recommended
Assigned	-	45,000	
Committed - Capital	2,699,418	4,133,409	3,077,000
Assigned - School Capital	1,000,000	1,000,000	-
Assigned – Jail Stabilization	631,428	631,428	
Unassigned	-	-	350,000
Encumbrance	-	785,454	
<b>Use of General Fund Balance</b>	<b>\$4,330,846</b>	<b>\$6,595,291</b>	<b>\$3,427,000</b>

## Budget Highlights - Expenditures

### City Schools Operating

The Recommended Budget includes an operating transfer to City Schools of \$30,500,000. The transfer to City Schools is the largest item in the City's General Fund.

The School Board initially proposed a City contribution of \$30,899,266, an increase of \$850,000 over FY 2022. Operating fund changes proposed in the school budget include a 6.5% salary increase, new

position requests limited to VDOE compliance requirements, health insurance increases, and VRS benefits for School Nutrition workers. The district anticipates potential funding increases from the State for basic aide, compensation, at-risk funding, increased sales tax projections, early reading intervention programs, ESL, Preschool Initiative, and school construction grants for non-recurring construction, along with federal COVID-19 funding. The above funding sources are subject to change as the State finalizes the budget. The total initial proposed School Operating budget before adjustments to requested City transfers for FY 2023 is \$54.28 million dollars.

For FY 2023, FCPS initially requested \$413,000 in City support for its capital projects. These projects include technology items, playground improvements, and athletic and routine maintenance and repair. These funds are not currently in the recommended budget as presented.

	<b>FY 2020 Actual</b>	<b>FY 2021 Actual</b>	<b>FY 2022 Original</b>	<b>FY 2023 Requested by Schools</b>
City Support	\$29,660,210	\$28,899,266	\$30,049,266	\$30,899,266
State Revenue	\$16,344,398	\$18,487,075	\$19,079,419	*\$22,049,077
Local School Revenue	\$268,359	\$230,820	\$389,448	\$328,925
Use of School Fund Balance	-	-	\$1,000,000	**\$1,000,000
<b>Total</b>	<b>\$46,272,967</b>	<b>\$47,617,161</b>	<b>\$50,518,133</b>	<b>**\$54,277,268</b>

*\* FCPS is monitoring outcomes from the state budget process to determine the final amount of state support the district will receive in FY 2023.*

*\*\* Given adjustments to the City transfer as well as potential changes in anticipated state support, FCPS may revise its funding plan with respect to own-source resources like fund balance. The amount shown was presented to the School Board in February 2022.*

For FY 2023, City Schools will transfer \$300,000 back to the City General Fund to assist with debt service for the Walker-Grant Center project.

## New School Project

The City Manager’s Recommended Operating and Capital Budget includes as a placeholder, funding for a new school at a project cost of \$57 million. The City and schools are monitoring the results of a feasibility study of the 2300 Fall Hill Avenue building. This study may alter budgets moving forward.

The Fredericksburg City Public Schools is currently in the midst of a procurement process under the Public-Private Education Facilities Act (PPEA). The Fredericksburg City Public Schools have developed an Interim Agreement under the PPEA for a middle school to be developed in the Idlewild subdivision. The agreement will be considered by the School Board and the City Council in March.

If the Interim Agreement is approved, the next step will be to develop a Comprehensive Agreement using the work developed through the Interim Agreement. The construction of the school will take place over the next two fiscal years at the Idlewild site, and will require the City to issue bonds to complete the project.

The City Manager's Recommended Operating and Capital Budget for FY 2023 includes an amount for one-half year of debt service on this project, the fire station, and storm water projects in the amount of \$2 million. This amount will be adjusted for FY 2024 based on the actual debt service that is issued, based on the interest rates and final principal amounts.

The current General Assembly is also considering changes to legislation that provides for a special 1% sales tax to support new school construction, after a referendum approval. Under such a scenario, the special sales tax would supplant or supplement the real estate tax as a source of revenue to pay the debt service for the project.

## General Fund Contingency

The General Fund Contingency is recommended in the FY 2023 budget at a level of \$500,000. This is the amount that has historically been budgeted although in FY21, City Council approved increasing the amount to \$793,447 in light of the uncertain financial conditions related to the pandemic.

## General Fund Attrition Savings

Over the past several years, the City budget has included an allowance for turnover and attrition savings in the General Fund. The amount included in the FY 2023 budget is \$400,000. This is a projection of funds that will remain available due to vacancies in the City.

The City utilizes a system where a negative number is created in the budget, which has the effect of reducing the total expenditures in the General Fund. Towards the end of the fiscal year, the staff transfers positive budget savings as they become available to the Attrition Savings line item until it reaches a zero balance.

## Human Resources Highlights

### Virginia Retirement System

The City of Fredericksburg is a member of the Virginia Retirement System (VRS), which serves state employees, school employees, and participating local government employees throughout the Commonwealth of Virginia. The Virginia Retirement System notifies the City every two years of the cost of retirement benefits, which is expressed as a percentage of payroll. The City's current rate, known as the "employer contribution," for FY 2021 & FY 2022 is 14.13%. The VRS rate for the next two years will be 16.06%. This is an increased employer cost in the general fund of \$1,014,111. All eligible employees also pay a "member contribution," which is set at 5% of their salary.

### New Positions

As part of the budget process, various City Departments and agencies requested 29 new positions within the General Fund and 16 in all other funds (38 full-time, 3 converted part- to full-time, and 4 part-time). These requests are driven in part by City Council priorities and by the City's recent growth, both in terms of population and in terms of developed areas. Upon review by the City Manager's office, the Recommended Budget suggests 5 new full-time positions in the General Fund, 4 in the Transit Fund, 2 in the Wastewater Operating Fund, 1 in the Social Services Fund, and 1 in the Parking Fund.

The new positions recommended in the FY 2023 budget are:

<u>Department</u>	<u>Position</u>	<u>Salary</u>
<b><u>GENERAL FUND</u></b>		
<b>Fire</b>	Administrative Support Specialist IV	\$48,795
<b>IT</b>	Network Support Specialist	\$60,000
<b>Police</b>	Communications Officer	\$43,684
<b>Police</b>	Administrative Support Specialist I- Records	\$34,153
<b>Transportation</b>	Transportation Project Manager	\$110,000
<b><u>ALL OTHER FUNDS</u></b>		
<b>Social Services</b>	Benefits Program Supervisor	\$75,975
<b>Utilities</b>	Utilities Project Manager	\$90,000
<b>Utilities</b>	Wastewater Treatment Plant Operator	\$57,593
<b>Parking</b>	Parking Garage Technician	\$32,240
<b>Transit</b>	Transit Operator x 2	\$82,250
<b>Transit</b>	Mechanic	\$51,235
<b>Transit</b>	Safety Specialist	\$60,000

Note: Council did approve a grant to support an additional Police Officer in February 2022.

The City will also be engaging in a more detailed classification and compensation effort beginning Spring 2022. This will involve more detailed review of existing job descriptions and validating the comparisons with the market, which will help validate and update the work of the labor market update. The more detailed review will also look at the overall benefits and policies of the City to make sure that we are appropriate and competitive.

## Regional and Local Partners

### Central Rappahannock Regional Library

The FY 2023 Recommended Budget includes support for the Central Rappahannock Regional Library in the amount of \$1,400,000. The increased requests of the Library include: cost of living adjustments, pay scale adjustments for Library clerks, mandated increases in minimum wage, health insurance increases along with supplies and material cost increases. The amount for the FY 2022 library funding was \$1,364,006.

### Rappahannock Regional Jail

City support for the Rappahannock Regional Jail will be lower in FY 2023 than in the current fiscal year. Rappahannock Regional Jail costs are broken down between operating costs and debt service costs. The operating costs for the Rappahannock Regional Jail will increase as the Authority faces increasing costs for personnel and operating capital. The City's share of operating costs for FY 2023 at the Jail is \$3,744,527, which is an increase of \$430,675 from FY 2022. The debt service costs will decrease by \$802,847 for the City's share of debt service at the Rappahannock Regional Jail for FY 2023, to a total of

\$774,129. The debt service calculation each year is a cyclical value based on a “true-up” calculation that is done based off of a bond covenant.

**Historical Funding – Rappahannock Regional Jail**

	City Funding	Change from Prior FY
FY 2018	4,327,955	12.1%
FY 2019	3,086,764	-28.7%
FY 2020	4,062,545	31.6%
FY 2021	3,528,306	-13.2%
FY 2022 Adopted	4,890,828	38.6%
<b>FY 2023 Recommended</b>	<b>4,518,656</b>	<b>-7.6%</b>

The City created a Jail Stabilization reserve of the City’s General Fund balance, and by policy if the City’s contribution decreases, the City will contribute at least one-half of the amount of the decrease to the Reserve until it reaches \$2,000,000. There will be an agenda item for Council to consider as part of this budget process to reserve \$500,000 for this purpose.

### Other Regional Governmental Agencies

The City’s cost for the Rappahannock Juvenile Center is recommended as requested at \$310,323, a decrease of 15.67% from the FY 2022 funding level of \$367,981.

The City’s share of cost for the Rappahannock Health District and the Rappahannock Area Community Services Board are recommended as follows - \$439,277 for the Health District and \$302,359 for the RACSB.

### Multi-Purpose Stadium Fund

The FY 2023 recommended budget for the Multi-Purpose Stadium Fund is \$1,055,000, which meets the City’s funding commitment for the stadium of \$1,050,000 and includes a small amount in case there are fees or other costs associated with City events. Staff recommends the use of revenues derived from the stadium to meet this commitment.

## Other Operating Funds

### Social Services Fund

The FY 2023 recommended budget for the Social Services Fund is \$7,637,911. Local funding is provided by a combination of the use of Social Services Fund Balance of \$263,520 and a transfer from the General Fund of \$1,194,680. The FY 2022 revised budget for the Social Services Fund was \$7,104,796.

## Children’s Services Act Fund

The CSA Fund is a combination of state and local funding to meet the needs of identified at-risk children in the community for a variety of services. This request is based off of the City’s population of children needing services.

The FY 2023 recommended budget for the Children’s Services Act Fund is \$3,756,797. Local funding for this purpose is a combination of the use of the Children’s Services Act Fund Balance of \$400,000 and a \$1 million transfer from the General Fund.

## City Grants Fund

The FY 2023 recommended budget for the City Grants Fund is \$1,320,821, which is a 21% increase from the FY 2022 original budget level of \$1,091,656. It is common throughout the year to amend the City Grants Fund as grants are awarded to the City.

Major programs funded through the City Grants Fund include the Farmer’s Market, the Victim Witness Program, the Community Development Block Grant Program, and various public safety grants

## American Rescue Plan Act Funds

The City of Fredericksburg received direct allocation of \$10,782,748 through the American Rescue Plan Act, or “ARPA,” from the federal government. The City Council has previously allocated the use of \$5.2 million of these funds, as shown in the following table.

FY 2022 Use of Funds

Original Allocation		\$10,782,748
Resolution 21-75		
Homelessness		\$2,000,000
Wastewater Project		\$500,000
Fire Station		\$500,000
Downtown Streetscape		\$1,000,000
Operating ARPA – Pandemic Response	CMO	\$25,000
	Finance	\$50,000
	Information Technology	\$250,000
	Sheriff	\$111,000
	Fire	\$50,000
	Police	\$50,000
	Public Facilities	\$200,000
	Parks	\$75,000
	Economic Development	\$150,000
	Contingency	\$39,000
<i>Subtotal: Resolution 21-75</i>		<i>\$5,000,000</i>
Resolution 22-07		

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Operating ARPA	Police	\$200,000
<i>Subtotal: Resolution 21-75</i>		<i>\$200,000</i>
Total FY 2022 Use of ARPA		\$5,200,000
ARPA Allocation Remaining		\$5,582,748

The original plan for the remainder of the funds was to appropriate them in FY 2023 for future capital projects. The Recommended Budget alters the plan slightly, allocating \$3,000,000 for the Wastewater Treatment Plant project and \$1,781,110 for a variety of other capital and pandemic response needs. The amount remaining that is unallocated is recommended for appropriation as a Contingency.

Proposed: FY 2023 Use of Funds

ARPA Allocation Remaining		\$5,582,748
WWTP Project		\$3,000,000
Fire Department	Vehicle Replacement	\$55,000
	SCBA	\$200,000
Public Works	Replacement Roll-out carts <i>*note this is a 2 year project</i>	\$491,000
	Asphalt Truck	\$225,000
	Mower (SW Fund)	\$57,950
	Urban Forestry	\$100,000
	Equipment – column lift	\$22,160
Water & Sewer	Vehicle Replacement	\$50,000
	Vehicle Replacement	\$30,000
Police	Drones	\$42,000
	UPS replacement	\$150,000
IT	Fiber Project	\$218,000
Parks	Water Feature at Pool	\$19,000
	Dixon Park Playground	\$40,000
Planning	Televised ARB Meetings	\$16,000
Public Facilities	Building Maintenance	\$65,000
Total		\$1,781,110
Total Remaining	City Manager’s ARPA Org	\$801,638

## Stormwater Management Fund

The FY 2023 Recommended Budget for the Stormwater Management Fund is \$885,000. This fund was created in FY 2017 to assist with tracking activities related to the management of stormwater in the City. The Stormwater Management Fund includes personnel and activities related to the regulation of stormwater runoff from private development in the City. The Stormwater Management Fund is funded largely by a two-cent per \$100 value levy on the value of real estate here in the City.

In addition, the Stormwater Management Fund includes the City's efforts to meet the mandates of the Municipal Separate Storm Sewer ("MS4") program permit. The City's MS4 permit requires improvements to help clean stormwater runoff before it returns to the Rappahannock River and ultimately, the Chesapeake Bay.

## Water Operating Fund & Wastewater Operating Fund

The FY 2023 Recommended Budget for the Wastewater Operating Fund is \$9,983,358, a 15.8% increase from the FY 2022 original funding level of \$8,622,271. The increase is due to personnel and operating cost increases and new debt service for the Wastewater Treatment Plant upgrade project. The Wastewater Operating Fund budget includes a 10% increase in user rates.

The City's Water Operating Fund is recommended for funding at \$6,286,724, which is an increase of 5.6% over the FY 2022 original budget of \$5,954,034. The increase in appropriation level is due to several factors, including personnel and operating cost increases, an increase in the allowance for the purchase of treated water from Spotsylvania County and new debt service associated with the new water meter project. The Water Operating Fund budget includes an 8% increase in user rates.

## Transit Operating Fund

The FY 2023 Recommended Budget for the Transit Operating Fund is \$9,377,236, a decrease over the FY 2022 original budget of \$9,526,015. The City contribution for the recommended budget is \$131,553.

FRED Transit received \$7,559,293 in Federal Transit Administration Section 5307 funds in FY 2021 that can be used to operate, maintain and manage the public transit system, which includes funds that allow an agency to prevent, prepare for, and respond to COVID-19. Section 5307 funds can only be used on a reimbursement basis. Staff and FRED Transit are implementing methods to utilize these funds to support FRED and benefit the region. The funds carry over from year to year until they are exhausted. At the end of FY 2021 \$3,101,867 of those funds had been spent.

## Parking Fund

The FY 2023 Recommended Budget for the Parking Fund is \$765,569, which is 14.9% higher than the FY 2022 budget amount of \$666,415. The parking fee revenue declined significantly during the course of the pandemic but the City has seen increased fee revenue for the first half FY 2022 and expects to see that trend continue.

## Blight Abatement Fund

The FY 2023 Recommended Budget for the City's Blight Abatement Fund is level with FY 2022 at \$95,000.

## Riparian Lands Stewardship Fund

The FY 2023 Recommended Budget for the Riparian Lands Stewardship Fund is \$128,325, which is a 15.6% increase over the FY 2022 amount of \$110,971. This fund accounts for the activities of the City's River Steward, who patrols the riparian lands owned by the City along the Rappahannock River.

## Celebrate Virginia South Community Development Authority Fund

The Celebrate Virginia South Community Development Authority utilizes the City as a fiscal agent for the billing of the special assessments required for their debt service. The annual amount included in the FY 2023 budget is unchanged from FY 2022 at \$1,746,150.

## FY 2023 Capital Improvements Plan

A presentation of the Capital Budget is provided in an additional, separate memorandum.

## Budget Next Steps

The City Council will be reviewing these recommendations for the next several weeks, and the staff is happy to facilitate changes to the budget prior to adoption. Staff will also continue to monitor activity at the State level as the General Assembly completes the adoption of the budget and it gets submitted to the Governor for approval. The approval of the State budget could have financial impacts to the City that need revision throughout the process until the City budget gets adopted.

The public hearing on the budget is scheduled for Tuesday, April 19, 2022, at 7:00 p.m. Related public hearings for tax rate increases or service fee increases will also be held at that time. The City Council will need to adopt the budget for the schools by May 15, 2022, and the remainder of the budget by June 30, 2022. Staff recommends working towards adopting the entire budget by May 10, if possible.

## Conclusion

In conclusion, the Recommended Budget is the result of many hours of hard work on the part of our departments, Constitutional Officers, local and regional partners, and many others. I would especially like to thank our Budget Analyst, our Finance Department, and both Assistant City Managers for their tireless efforts in bringing the recommended budget and the capital improvements plan together.