

City of Charlottesville
City Manager's Office
MEMO



TO: Council
FROM: Samuel Sanders, City Manager
DATE: November 20, 2023
SUBJECT: Financial Report – FY 2024 through September 30, 2023

Revenue Budget Projections

As of September 30th, approximately 13% of the budgeted revenue for this fiscal year has been collected. Real Estate and Personal Property tax payments for the second half of 2023 are due on December 5th and represent two of the City's largest revenue sources. The Adopted Revenue budget for FY 24 totals \$228,433,246. Current revised projections indicate that revenues are tracking slightly above the budget, and we are currently anticipating a modest revenue surplus of 3.62% or \$7.7M. The largest drivers of the anticipated surplus continue to be real estate and personal property tax revenues. Market values for real estate have continued to rise throughout calendar year 2023, and vehicle values are declining slower than anticipated. The more economically sensitive revenues such as sales, meals and lodging tax also continue to perform well despite rising inflation and the earlier economic forecasts which were threatening a national recession. Rising interest rates have also led to an increase in interest income. The cautionary tale here is that these early projections are offered only as a reference for discussion today. The revenue team meets monthly and continues to closely monitor revenue collections for FY 24 and is beginning work to refine projections for the development of the FY 25 budget.

The following FY 24 revenue budget revisions are projected:

FY 2024 Revenue Projections

<u>Local Taxes</u>	<u>FY 2024 Budget</u>	<u>FY 2024 Revised*</u>	<u>Change</u>
Real Estate Tax	\$ 99,403,417	\$ 101,979,000	\$ 2,575,583
Personal Property Tax	12,600,000	13,200,000	600,000
Penalty/Interest on Delinquent Taxes	700,000	850,000	150,000
Public Service Tax	1,630,567	1,746,954	116,387
Tax on Wills & Deeds	725,000	500,000	(225,000)
Sales & Use Tax	14,400,000	14,900,000	500,000
Transient Room Tax	8,300,000	8,300,000	-
Meals Tax	15,600,000	16,300,000	700,000
<u>Licenses and Permits</u>			
Business & Professional Licenses	\$ 8,900,000	\$ 8,900,000	-
Vehicle Licenses	-	15,000	15,000
<u>Revenue from State Agencies</u>			
State Highway Assistance	\$ 4,645,517	\$ 5,481,707	836,190
Reimbursement/Constitutional Offices	1,975,433	2,233,001	257,568
State Aid for Police Protection	2,460,982	2,588,420	127,438
DMV Select Office Commissions	35,000	1,500	(33,500)
<u>Miscellaneous Revenues</u>			
Interest Income	\$ 1,050,000	\$ 3,600,000	2,550,000
Recreation Income	1,509,269	1,055,789	(453,480)
Utility Cut Permits	185,000	125,000	(60,000)
Other Miscellaneous Revenues	619,375	533,958	(85,417)
<u>Designated Revenues</u>			
Meals Tax Designated for the Debt Service Fund	\$ 2,836,363	\$ 2,963,636	\$ 127,273

Total Revenue Budget Surplus	\$ 7,698,042
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**Projected as of September 30, 2023*

Surplus as a % of Total Budget	3.62%
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Expenditure Budget Projections

Many City operations are seasonal and interfund transfers, which represent large expenditures in the General Fund (i.e. Debt Service Transfer, CIP transfer, Transfer to CAT, etc.), get posted as a lump sum later in the fiscal year. Additionally, recruiting and procurement activities for the new year are just getting under way in the 1st quarter. These factors lead to a more

cyclical and irregular expenditure pattern that is harder to project. However, we continue to monitor expenditures and indicators suggest that expenses are tracking well with the budget. Expenditure details can be viewed using the [Budget Explorer Tool](#) which can be found on the City's Budget webpage. These quarterly tabs are automatically updated at the end of each quarter and are available for public viewing. The 1st quarter visualization contains financial information through September 30, 2023. Both a citywide view as well as the ability to drill down to the individual department level is available. The information presented in the visualization comes directly from the City's financial system and represents dollars that have been received and/or paid out as of the chosen date.

Other Financial Matters

The City submitted its most recent quarterly ARP compliance report to US Treasury on October 31 for expenditure of funds for the time period July – September. The Director of Finance is updating the City's obligations and expenditures of all ARP funds to date and will be providing City Council more detailed information in the near future.

The final 4th quarter data for FY 2023 will be provided once the year is officially closed and the audit is completed. This information will be presented in early December as part of the audit presentation by the City's Auditors and Chris Cullinan, the City's Finance Director.

**Please note all the information presented in this memo and the Budget Explorer visualization is collected as of a specific point in time. All amounts are subject to change until the City's annual audit is complete and the books are officially closed for any given fiscal year.*



City of Charlottesville

TREASURER'S OFFICE

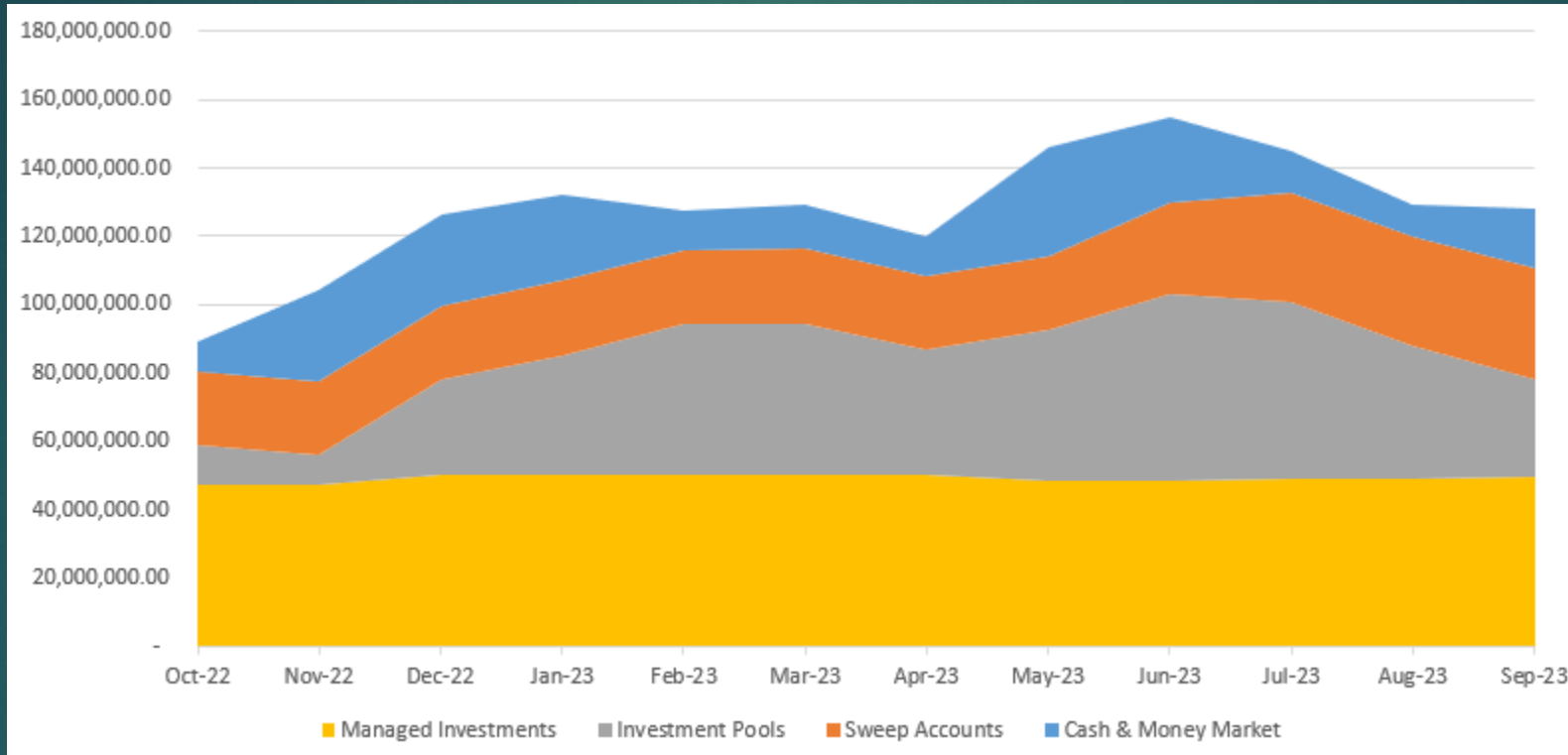
INVESTMENT PORTFOLIO UPDATE

NOVEMBER 20, 2023

Investment Policy Guidelines

- ▶ The Investment Policy has been established by the Treasurer of the City of Charlottesville to ensure effective management of the day-to-day investment activity for the City, and is designed to increase non-tax revenues by investing funds when not needed for current obligations.
- ▶ The Treasurer of the City of Charlottesville is an elected office ("Constitutional Officer") charged with receiving, collecting, safeguarding and disbursing City funds with general custody of City funds from all sources. The general custody of all funds requires the investment of those funds within the confines of the Code of Virginia and a comprehensive Investment Policy developed and maintained by the Treasurer.
- ▶ All funds are managed to accomplish the fundamental goals of safety, liquidity, and yield.

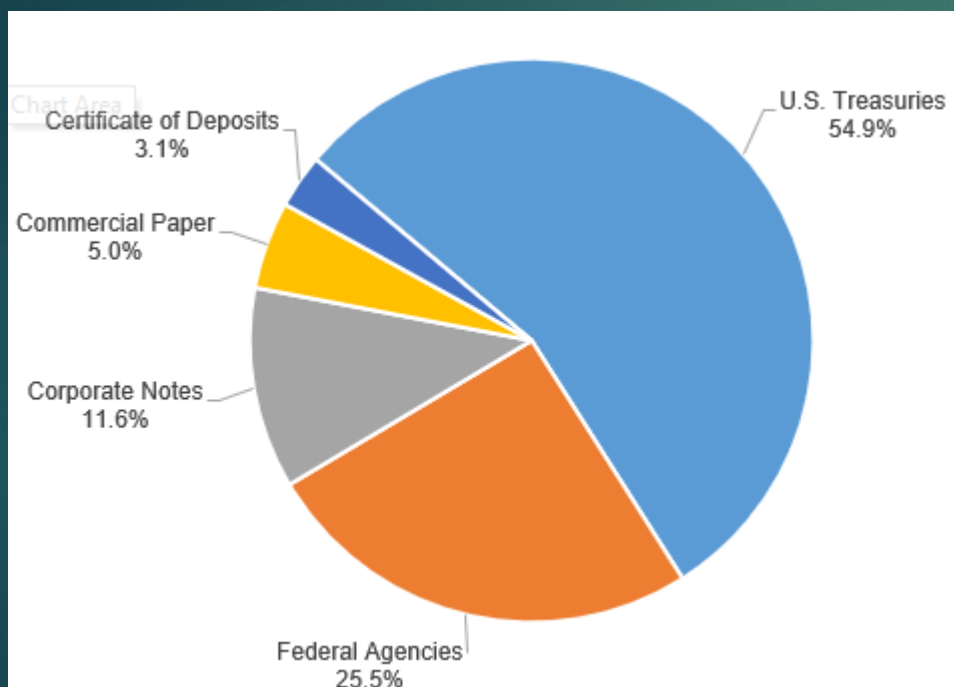
Monthly Cash Balance by Investment Type



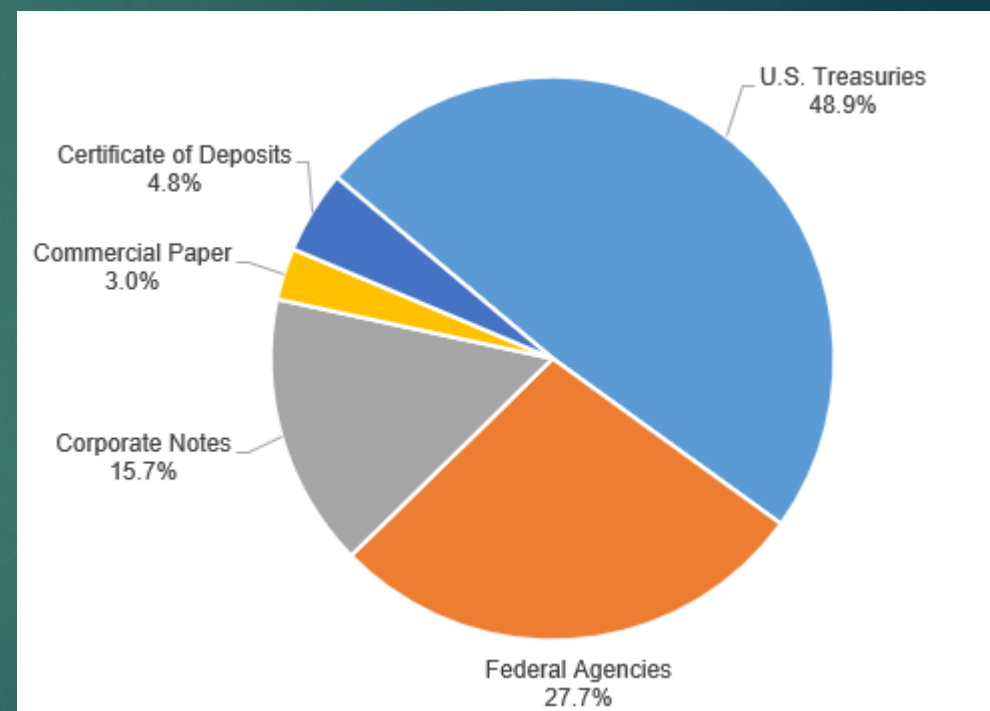
Overall cash balances are higher in FY24, a reflection of increased overall City revenue. The first quarter of the fiscal year generally represents a negative cash flow, as many projects are underway over the summer, and no tax deadlines or filings are due.

Managed Investments Portfolio Composition

June 2023

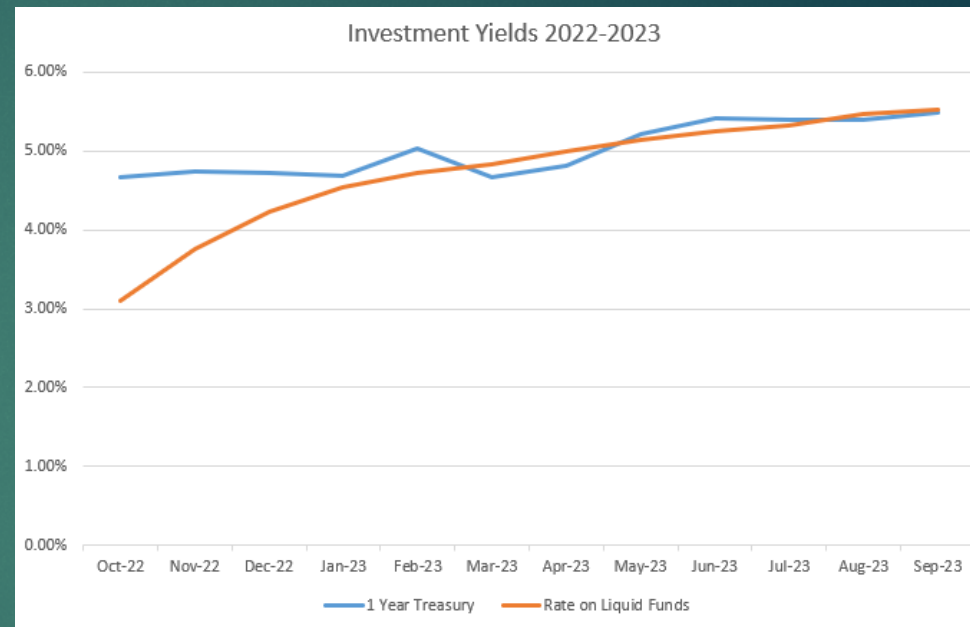
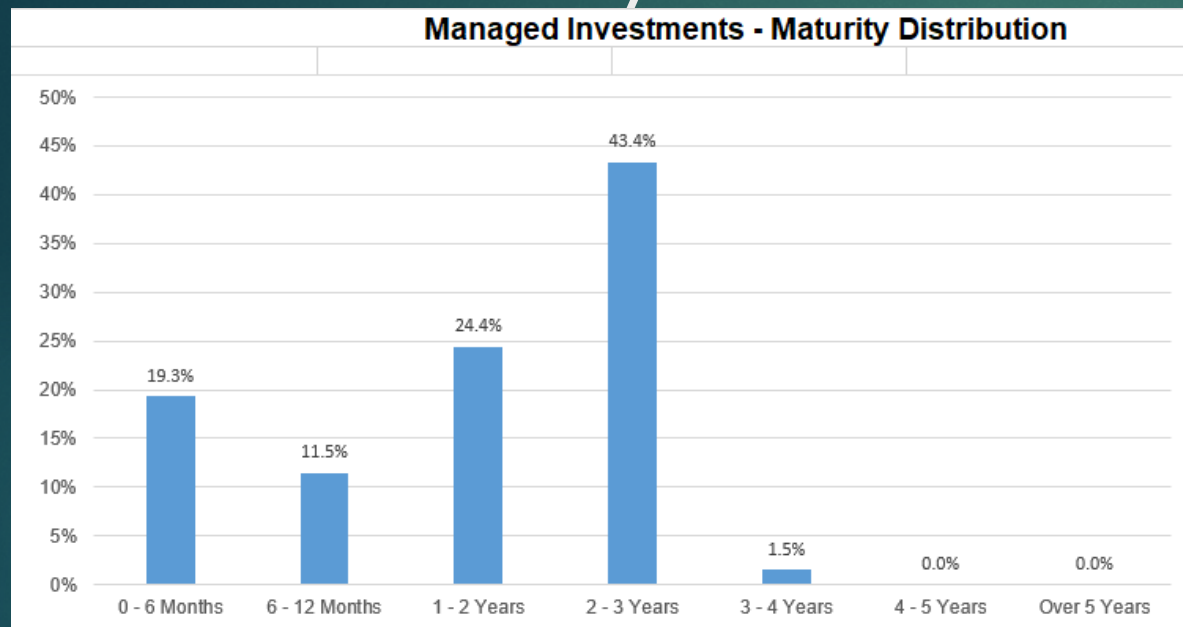


September 2023



There has been a slight increase in corporate note holdings to take advantage of higher yields. All are rated AA or higher.

Managed Portfolio Maturity Distribution and Yields



Intermediate-term rates are stabilizing and more of the portfolio redemptions have been invested in the 2-3 year range to lock in higher rates. Many economists believe we are near the end of the rate hiking cycle.