

City of Charlottesville  
City Manager's Office  
MEMO



**TO:** Council  
**FROM:** Samuel Sanders, City Manager  
**DATE:** November 4, 2024  
**SUBJECT:** Financial Report – FY 2025 through September 30, 2024

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### **Revenue Budget Projections**

As of September 30<sup>th</sup>, approximately 11% of the budgeted revenue for this fiscal year has been collected. Real Estate and Personal Property tax payments for the second half of 2024 are due on December 5<sup>th</sup> and represent two of the City's largest revenue sources. The Adopted Revenue budget for FY 25 totals \$251,948,630. Current revised projections indicate that revenues are tracking slightly below budget, by \$1,085,537 or -0.51%. This underperformance is being driven by declines in sales tax and lodging tax revenues. Because it is still very early in the year, it is difficult to make any definitive assumptions based on the limited results we currently have available. However, there are a few factors that are important to note relative to the results.

- With the exception of the pandemic related declines, this is the first time the City has experienced any underperformance in any of its economically sensitive tax revenues in many years. 2008 was the last time the City experienced a decline in sales tax revenue and 2009 was the last time there was a decline in lodging tax revenue.
- According to figures released from the State Tax Department, both the Commonwealth and Albemarle County continued to see some growth in sales tax revenue for the first quarter.
- Except for sales and lodging tax revenue, most of the other City revenues, including meals tax, are tracking very closely with the budget.

The take-away from this quarterly report is that we are likely returning to a more “normal” revenue growth pattern. That said, the revenue team is continuing to collect data and monitoring revenues closely. Efforts are also underway to review all available data for factors that may be contributing to current revenue trends.

Since 2021, the City has been fortunate to have experienced a 5-year stretch of very strong revenue growth. Some of the growth was the result of conservative budgeting during the uncertainty of a pandemic but much of it was related to a very healthy real estate market coupled with increased consumer spending. As we move forward, the indications are that revenues will likely experience a much more modest growth pattern.

The following FY 25 revenue budget revisions are projected:

**FY 2025 Revenue Projections**

<b><u>Local Taxes</u></b>	<b><u>FY 2025 Budget</u></b>	<b><u>FY 2025 Revised*</u></b>	<b><u>Change</u></b>
Real Estate Tax	\$ 108,438,706	\$ 108,638,706	\$ 200,000
Personal Property Tax	13,304,762	13,304,762	-
Penalty/Interest on Delinquent Taxes	850,000	850,000	-
Public Service Tax	1,746,954	1,961,548	214,594
Tax on Wills & Deeds	550,000	550,000	-
Sales & Use Tax	15,810,000	14,900,000	(910,000)
Transient Room Tax	9,562,500	9,100,000	(462,500)
Meals Tax	18,217,044	18,217,044	-
Cigarette Tax	550,000	490,000	(60,000)
Plastic Bag Tax	100,000	55,000	(45,000)
<b><u>Licenses and Permits</u></b>			
Business & Professional Licenses	\$ 10,100,000	\$ 10,100,000	-
<b><u>Revenue from State Agencies</u></b>			
State Highway Assistance	\$ 5,591,341	\$ 5,629,814	38,473
Reimbursement/Constitutional Offices	2,453,159	2,453,159	-
State Aid for Police Protection	2,640,188	2,681,084	40,896
DMV Select Office Commissions	20,000	20,000	-
<b><u>Miscellaneous Revenues</u></b>			
Interest Income	\$ 3,000,000	\$ 3,000,000	-
Recreation Income	1,189,113	1,189,113	-
Utility Cut Permits	125,000	125,000	-
<b><u>Designated Revenues</u></b>			
Meals Tax Designated for the Debt Service Fund	\$ 3,036,174	\$ 3,036,174	\$ -

<b>Total Revenue Budget Surplus</b>	<b>\$ (983,537)</b>
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*\*Projected as of September 30, 2024*

<b>Surplus/Deficit as a % of Total Budget</b>	<b>-0.46%</b>
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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 1<sup>st</sup> 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, 2024. 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 period July – September. The first significant deadline for ARP is December 31 by which time all funds must be “obligated” or returned to US Treasury. “Obligated” generally means that funds are encumbered on a purchase order, contract, memorandum of understanding or other mechanism obligating the use of the funds. The Director of Finance is updating the City's obligations and expenditures of all ARP funds to date and will be providing the City Council more detailed information in the near future to ensure no funds will have to be returned.

The final 4<sup>th</sup> quarter data for FY 2024 will be provided once the year is officially closed and the audit is completed. This information will be presented at the second Council meeting in 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.*



# **1<sup>st</sup> Quarter FY25 Financial Report**

## **Focus: City Retirement Plans**

- November 4, 2024

# Retirement Plans Overview

- Traditional Defined Benefit Pension Plan and OPEB (Other Post-Employment Benefits)
  - Started in the 1950s
  - 666 active members
  - Benefit formula based on salary and years of service
- Optional Defined Contribution Plan (401a)
  - Started in 2001
  - 387 active members
  - Set City contribution and employee-led investment account
- Optional Deferred Compensation Plan (457b)
  - Started in 1987
  - 390 active members
  - Employee contributions and employee-led investment account



# Plan Oversight- Retirement Commission

Three employees

Member of City Council

City Manager

Finance Director

Treasurer

HR Director

Retiree

Two Community Members



# Plan Assets



Traditional Defined Benefit Plan

Pension - \$172 Million

OPEB - \$63 Million



Defined Contribution Plan

\$32 Million



Deferred Compensation Plan

\$38 Million

# Services for Plan Participants

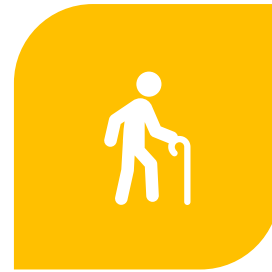
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HR RETIREMENT  
ADMINISTRATOR



REGULAR EDUCATION  
ON RETIREMENT  
TOPICS



ACCESS TO  
RETIREMENT  
PLANNING SPECIALIST



ACCESS TO A  
CERTIFIED FINANCIAL  
PLANNER

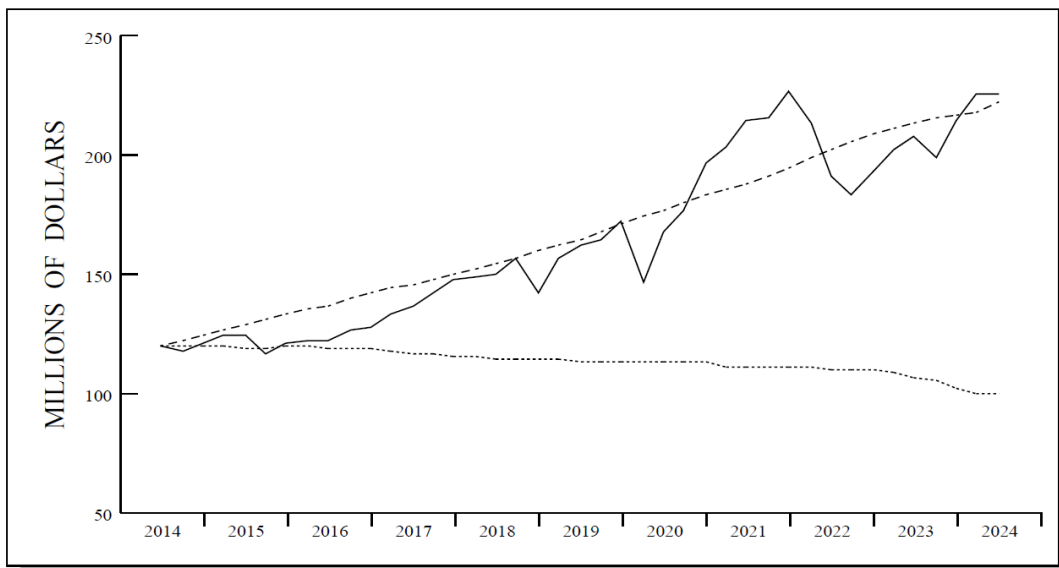


# Pension Plan Focus-Asset Allocation

## ASSET ALLOCATION

Large Cap Equity	34.2%	\$ 77,240,514
Mid Cap Equity	14.2%	32,057,367
Small Cap	8.2%	18,525,226
Int'l Developed	9.0%	20,245,491
Emerging Markets	3.4%	7,662,058
Real Assets	14.4%	32,433,404
Fixed Income	15.2%	34,335,321
Cash	1.4%	3,057,218
Total Portfolio	100.0%	\$ 225,556,599

# Pension Plan Focus- Investment Performance

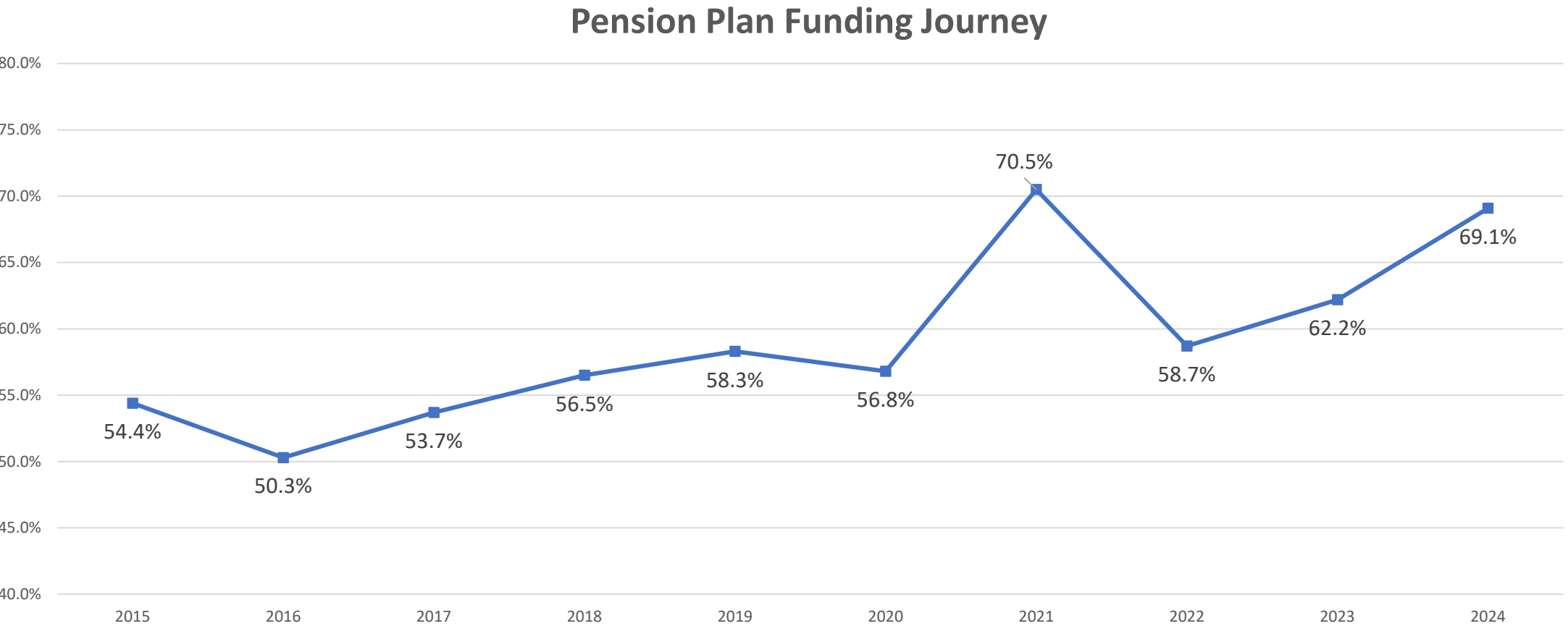


10 Year return compared to 7.5% assumption

Plan returns compared to policy index

1 Year	3 Years	5 Years	Inception or 10 Years	
12.0 (32)	3.5 (38)	8.2 (27)	7.7 (12)	06/14
<i>11.1 ----</i>	<i>3.5 ----</i>	<i>8.1 ----</i>	<i>7.7 ----</i>	<i>06/14</i>

# Pension Plan Focus-Funding Plan



On track to reach an 80% funded status around 2028

# Highlight-OPEB Trust

- The OPEB Trust (Other Post-Employment Benefits) pays medical, dental, and life insurance benefits for eligible retirees
- Localities must disclose OPEB liabilities, but most have failed to prefund those liabilities
- The City's OPEB trust fund has \$63 Million invested and is funded at 93% of plan liabilities
- The combined funded status for the Pension and OPEB plans is 74%

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# Retirement Plan Summary

- 2015 Sustainability Study set the stage for progress and the City has honored the commitments it made
  - Modernizing plan assumptions
  - Implementing cost-sharing
  - Pre-funding retiree COLAs
  - Funding all new liabilities
  - Making all required contributions
- Active and engaged Retirement Commission
- Continue to leverage plan partners, internal staff, and external expertise



# Questions?

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The Retirement  
Commission meets at  
8:30 AM on the first  
Wednesday of each  
month