



DATE: 11/3/2023

TO: Kevin Frost, Chair
Members of the Finance and Personnel Committee

FROM: Carrie Hagerty, Finance Director

RE: **2022 Budget Surplus Plan**

The total 2022 general fund operating surplus is \$31 million, net of ARPA funds recorded but not spent. The City experienced effective cost management measures by departments combined with significant hiring challenges in 2022 for certain departments that left numerous budgeted positions vacant, leading to underspending. Additionally, both income taxes and personal property replacement taxes (PPRT) were SIGNIFICANTLY over budget, outperforming all expectations at the state level.

2022 change in fund balance	\$70,162,485
ARPA revenue	39,205,559
2022 net change	30,956,926

The first priority for any budget surplus is to ensure fund balance is within policy requirements (20% of operating budget). After meeting our policy requirement, the general fund balance is as follows:

2023 Operating Budget	\$184,272,006
20% (Fund Balance Requirement)	36,854,401
Fund Balance (less ARPA)	77,235,816
Surplus fund balance	40,381,415

Best practice dictates that the City should not hold funds well in excess of fund balance requirements. In identifying possible uses of fund balance, we believe it would be prudent to hold a small cushion going into 2024 budget planning. The cushion will give the City time to make operational decisions if necessary based on projected budget shortfalls.

Recommendation 1: Public Infrastructure for Auburn Street and Neighborhoods - \$13.4 M: This is an offset of outstanding debt on Police District Stations currently paid from Capital Improvement Plan in a one-time payment in the amount of \$13,395,142 into CIP. This would pay for the reconstruction of Auburn Street from the roundabout to Springfield Avenue consistent with the corridor plan. Half of the cost (\$6M), is for water main replacement that the water utility would reimburse CIP at \$1M each year over 6 years. This \$6M (\$1M annually) would then be programmed in Neighborhood Priority Allocation. This project addresses a significant arterial street need and provides for further investment in residential areas. We will still continue to seek grant funding as Auburn Street design takes place, bid in 2024 for late season start for 2025 construction.



Recommendation 2: Replace Fire Station 10 and redevelop former Magna shopping center site- \$10,000,000

As we look to improve response times and allocate resources as efficiently as possible within the Fire Department, we are proposing the relocation of Station 10 from Rural Street. This relocation has been identified for a number of years as a way to improve response times in an effort to protect lives and property. The fire station on Rural Street has a significant backlog of maintenance and repairs due to this potential relocation. The station itself is small and located in a residential area that slows response time. With the City's acquisition and demolition of the former Magna building, the department recommended closing the existing Station 10 and relocating to State Street. Additionally, the site is in need of redevelopment including improvements to Keith Creek that is currently channelized under the parking lot. Planning will begin upon approval and would be a combination of ARPA funds for the fire station and TIF funds for the other general improvements to the site outside the Fire Department footprint.

Recommendation 3: Homeowner rehab program - \$1,000,000

We continue to see a significant need to invest in existing homes and neighborhoods within the community. This would target households up to 150% Average Median Income. City Council previously approved investment with ARPA funds through Habitat for Humanity, but demand far exceeds available funding and is focused on low to moderate income individuals. The City recently applied and received notice of award for Home Repair Program (HAFHR) from the State in the amount of \$1,425,000 for households up to 150% AMI. This will be leveraged with up to \$1 M in Surplus Funds identified in this memo and \$1M in CDBG funds **for a total program budget up to \$3.4M.**

Recommendation 4: Fund pending legal claims - \$2,000,000

The City currently has approximately \$7m in pending claims in progress. The City is self-insured for the first \$750,000 of each claim made under our insurance policy, and has pending claims that pre-date our commercial insurance. Absent cash on hand to pay claims, the City will need to issue debt for significant settlements. Funds will transfer from the general fund to the risk management fund upon approval.

Recommendation 5: Davis Park - \$3,000,000

The City, led by our Public Works Department and a strong funding partnership with Senator Stadelman, have been working with RAVE and RACVB on designing the implementation of Phase 1 of Davis Park master plan. As we validate destination type components of the park with the desire to have an inclusive park, including a universal design playground we feel it is important to increase the level of funding. We have had preliminary conversation with Senator Stadelman on an additional \$1.5 M of DCEO funding which would be leveraged with the additional City funding of \$3M.

Recommendation 6: Fire Department Communication System and Radios \$2,500,000

The Fire Department has had ongoing issues with the existing radio system. The components of the current communications system are over 30 years old and are comprised of obsolete technology coupled with diminished parts availability and prolonged repair times. Additionally, there are numerous potential points of failure throughout the infrastructure. The Department experiences interruptions to the system that increase the risk to our firefighters, and decreases operational efficiency on a regular basis. The previously approved



original ARPA plan includes \$480,000 for radio transmitter replacement. Those funds, combined with \$2,500,000 of general fund surplus, will fund a replacement VHF Digital radio system and 140 portable radios.

Approval of these recommendations addresses a number of community needs and preserves funding for possible budget deficits beyond 2024. Please let me know if you have any additional questions.