

CITY OF NEWPORT NEWS

OFFICE OF THE CITY MANAGER

December 8, 2020

TO: The Honorable City Council
FROM: City Manager
SUBJECT: First Quarter FY 2021 Financial Report

The first quarter forecast of the FY 2021 operating budget is prepared by the Department of Budget and Evaluation, and provides budgetary projections based on actual performance of revenues and expenditures for the first three months (July through September) of the fiscal year, and a forecast of financial activities for the remaining nine months.

The first quarter of any fiscal year is the most difficult to project. It is especially the case this fiscal year as the City and the nation remain in a state of uncertainty due to the coronavirus pandemic. While this projection assumes that the pandemic and some of the associated financial issues will continue through the remainder of FY 2021, it is important to note that the City's revenue tax base foundation of real estate, personal property, and machinery and tools taxes remains solid. With the semi-annual collection of the major revenues sources during the second quarter to date, overall revenue performance for those major tax groups is consistent with the same period last fiscal year.

Revenues

To continue to assist taxpayers, the City Treasurer Payment Arrangement program will be extended to the December 2020 tax cycle. This tax payment arrangement program is available to all citizens and businesses experiencing a financial hardship due the pandemic, allows for current taxes owed by December 5th to be paid by February 5th, without the assessment of late payment penalty or interest. We will continue to monitor the collections closely, however, at this time, these categories are projected to be on budget.

The Other Local Taxes revenue category which includes the most consumer sensitive revenue of sales, meals, lodging amusement and BPOL taxes is currently projected to be less than budgeted due to the impact of COVID. Business Professional and Occupancy Licenses (BPOL) taxes are projected to be one of the largest shortfalls in this category. These taxes reflect the economic impact of COVID manifested as missed opportunities that cannot be

recaptured over time. BPOL taxes are based on gross receipts earned over the calendar year 2020, and will not be collected until March 2021. While this revenue source performed strongly over the prior three fiscal years, with both temporary and permanent business closures beginning in March 2020, it is anticipated revenue collections may be less than estimated. Other revenues impacted in a similar way are Lodging, Amusement, Festival and Sports participation functions, arts performances, and the like.

As the economically impacted General Fund revenues are currently forecast to be below budget, this quarterly revenue estimate is based in the utmost of caution, preparing for prolonged pandemic conditions.

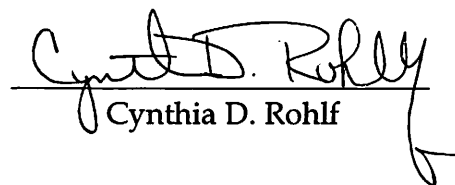
Expenditures

With a first quarter projected revenue shortfall, the General Fund expenditure restrictions instituted in March 2020 will continue. These include a hiring freeze except for essential and critical positions, and other expenditure restrictions, to ensure that revenues collected for this fiscal year cover operating costs. The expenditure restrictions are projected to generate savings to cover the potential first quarter revenue shortfall.

In addition, the expenditure projections do not include the potential use and application of Federal CARES Act Funds. The final review of these funds will be done following the grant spending deadline of December 30. Once the final review is completed, the CARES funds will be applied to any eligible General Fund expenditures.

When combined, currently a modest general fund surplus is being projected. These estimates are intentionally conservative given the current economic uncertainty. With the major revenue sources to be collected over the next months, and the potential of better than anticipated performance of select consumer generated taxes and fees, the second quarter projections will bring more clarity to the potential year-end results.

We will continue to monitor General Fund revenue collections and expenditures with the goal of achieving a balanced budget during this unprecedented economic period.


Cynthia D. Rohlf

CDR: LJC

cc: Director of Budget and Evaluation

FY 2021 OPERATING BUDGET
PROJECTED RESULTS OF OPERATIONS

First Quarter - July 2020 through September 2020

GENERAL FUND

REVENUES

	Adopted Budget	Revised Budget	YTD Receipts	Projected Total Receipts	Projected Difference from Revised Budget	
					Surplus/(Deficit) Amount	Percent
Real Estate Taxes ¹	\$204,406,362	\$204,406,362	\$3,213,224	\$204,406,362	\$0	0.0%
Personal Property Taxes ²	58,265,000	58,265,000	3,598,314	58,265,000	\$0	0.0%
Machinery & Tools Taxes ³	26,950,000	26,950,000	1,890	26,950,000	\$0	0.0%
Other General Property Taxes	2,966,000	2,966,000	445,521	2,966,000	\$0	0.0%
Other Local Taxes	107,721,600	107,721,600	12,740,374	104,766,600	(\$2,955,000)	(2.7%)
Permits and Fees	3,739,621	3,739,621	480,565	2,919,621	(\$820,000)	(21.9%)
Fines and Forfeitures	1,984,800	1,984,800	254,616	1,308,800	(\$676,000)	(34.1%)
Revenue from Use-Money & Prop	4,972,246	4,972,246	315,639	4,015,246	(\$957,000)	(19.2%)
Charges for Services	6,360,862	6,360,862	1,525,861	5,535,862	(\$825,000)	(13.0%)
Miscellaneous Revenue	24,212,679	24,212,679	680,384	23,922,679	(\$290,000)	(1.2%)
Recovered Costs	15,354,576	15,354,576	3,283,438	15,164,576	(\$190,000)	(1.2%)
Non-Categorical Aid	1,082,000	1,082,000	256,419	144,000	(\$938,000)	(86.7%)
Shared Expenses	9,792,391	9,792,391	1,503,273	9,522,391	(\$270,000)	(2.8%)
Categorical Aid	37,182,123	37,182,123	7,710,250	35,182,123	(\$2,000,000)	(5.4%)
Non-Revenue Receipts	10,083,740	10,083,740	2,520,935	10,083,740	\$0	0.0%
TOTAL REVENUES	\$515,074,000	\$515,074,000	\$38,530,703	\$505,153,000	(\$9,921,000)	(1.9%)

EXPENDITURES

	Adopted Budget	Revised Budget	YTD Exp/Enc	Projected Total Expense	Projected Difference from Revised Budget	
					Surplus/(Deficit) Amount	Percent
Personnel Services	\$154,871,993	\$154,871,993	\$33,115,658	\$153,848,908	\$1,023,085	0.7%
Taxes, Benefits, Insurance	79,029,333	79,029,333	17,368,087	77,466,019	1,563,314	2.0%
Contractual Services	22,776,017	22,667,532	13,034,842	22,644,742	22,790	0.1%
Vehicle Costs	6,829,111	6,829,111	1,707,278	6,829,111	0	0.0%
Fuel	1,751,046	1,751,046	248,658	1,321,266	429,780	24.5%
Utilities	7,529,960	7,529,960	1,238,580	7,293,613	236,347	3.1%
Operating Materials, Supplies, Ins	24,623,838	24,695,241	9,234,353	23,671,816	1,023,425	4.1%
Equipment (Except Vehicles)	1,621,898	1,652,930	244,242	1,546,271	106,659	6.5%
Leases, Rentals	7,590,469	7,597,369	3,530,520	7,358,520	238,849	3.1%
Community Support	11,945,141	11,945,141	4,665,289	11,945,141	0	0.0%
Transfer to Schools	113,389,307	113,389,307	28,347,327	113,389,307	0	0.0%
Debt Service/Cash Capital	55,315,689	55,315,689	27,359,143	50,815,689	4,500,000	8.1%
Payments to Other Funds	17,757,871	17,757,871	2,209,095	17,057,871	700,000	3.9%
Direct Program Costs - DHS	10,042,327	10,041,477	2,204,210	8,764,143	1,277,334	12.7%
TOTAL EXPENDITURES	\$515,074,000	\$515,074,000	\$144,507,282	\$503,952,417	\$11,121,583	2.2%

TOTAL PROJECTED DIFFERENCE

\$1,200,583

¹Includes Current, Delinquent, Tax Relief, Public Service Corp (PSC) Real Estate Taxes

²Includes Current and Delinquent Personal Property Taxes

³Includes Current and Public Service Corp (PSC) Machinery & Tools Taxes