

CITY OF NEWPORT NEWS

Office of the City Manager

November 23, 2021

TO: The Honorable City Council
FROM: City Manager
SUBJECT: First Quarter FY 2022 Financial Report

The first quarter forecast of the FY 2022 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 as this quarter occurs prior to the semi-annual collection of the major revenue sources of Real Estate, Personal Property and Machinery and Tools Taxes. In addition, with the varying effects of the pandemic over the past 19 month, revenue trends have been less than "textbook". Accordingly, the best indicator for the first quarter revenue projections are the final results of FY 2021.

Revenues

The City's revenue tax base foundation of real estate, personal property, and machinery and tools taxes is solid. Real Estate taxes are projected to meet the FY 2022 estimate. Based on FY 2021 year-end receipts, personal property and machinery and tools collections are both projected to be \$1 million each over the estimate for FY 2022.

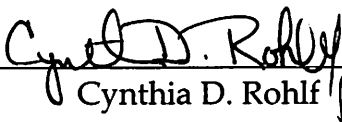
The Other Local Taxes revenue category includes the most consumer sensitive revenue of sales, meals, lodging, amusement, and Business Professional and Occupancy Licenses (BPOL) taxes. Each one of these revenues were reduced to lower overall estimates during the FY 2022 budget formation, due performance at that time. Both Sales and Meals tax rebounded during FY 2021 and are anticipated to exceed their estimates at the end of the first quarter. This is based on continued strong performance for the first three months of this fiscal year. BPOL taxes that are due in March 2022, are projected to be consistent with FY 2021, with a \$1 million potential collection above the combined \$17.4 million estimate. Lodging and Amusement tax revenue is showing improvement as well and is projected to meet or slightly exceed their estimates.

Expenditures

General Fund expenditures are anticipated to be within the adopted budget for the fiscal year. Two important expenditure changes occurred after the FY 2022 Budget was adopted. First, to continue to be competitive in this tight job market, sworn Public Safety personnel and Dispatchers (Police, Fire, and Sheriff Departments) were provided additional salary adjustments. Second, the citywide security workforce contract was recently reissued. At current market rates, this contract is anticipated to exceed budgeted amounts for the remainder of this fiscal year.

Currently a General Fund surplus of \$4.2 million is being projected, based primarily on anticipated revenue collections. These estimates are intentionally conservative given the current economic conditions, tempered by the present inflationary impacts. 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 to continue to achieve a balanced budget during this fiscal year.


Cynthia D. Rohlf

CDR: LJC
cc: Director of Budget and Evaluation

**FY 2022 OPERATING BUDGET
PROJECTED RESULTS OF OPERATIONS**

First Quarter - July 2021 through September 2021

GENERAL FUND

<u>REVENUES</u>	Adopted Budget	Revised Budget	YTD Receipts	Projected Total Receipts	<u>Difference from Revised Budget</u>	
					Surplus/(Deficit) Amount	Percent
Real Estate Taxes ¹	\$215,757,590	\$215,757,590	\$2,703,153	\$215,757,590	\$0	0.0%
Personal Property Taxes ²	58,665,000	58,665,000	3,904,183	59,665,000	1,000,000	1.7%
Machinery & Tools Taxes ³	27,725,000	27,725,000	0	28,725,000	1,000,000	3.6%
Other General Property Taxes	2,982,000	2,982,000	473,123	2,982,000	0	0.0%
Other Local Taxes	106,732,000	106,732,000	14,795,196	111,632,000	4,900,000	4.6%
Permits and Fees	3,340,051	3,340,051	764,678	3,037,051	(303,000)	(9.1%)
Fines and Forfeitures	1,487,200	1,487,200	280,441	1,314,200	(173,000)	(11.6%)
Revenue from Use-Money & Prop	4,014,687	4,014,687	390,005	2,974,687	(1,040,000)	(25.9%)
Charges for Services	6,009,232	6,009,232	2,009,729	6,009,232	0	0.0%
Miscellaneous Revenue	24,679,250	24,679,250	598,068	24,604,250	(75,000)	(0.3%)
Recovered Costs	14,481,148	14,481,148	3,816,308	14,198,148	(283,000)	(2.0%)
Non-Categorical Aid	638,000	638,000	219,527	738,000	100,000	15.7%
Shared Expenses	10,481,000	10,481,000	1,615,392	10,128,000	(353,000)	(3.4%)
Categorical Aid	38,131,102	38,131,102	10,308,103	36,593,102	(1,538,000)	(4.0%)
Non-Revenue Receipts	20,983,740	20,983,740	2,520,935	20,983,740	0	0.0%
TOTAL REVENUES	\$536,107,000	\$536,107,000	\$44,398,842	\$539,342,000	\$3,235,000	0.6%

<u>EXPENDITURES</u>	Adopted Budget	Revised Budget	YTD Exp/Enc	Projected Total Expense	<u>Difference from Revised Budget</u>	
					Surplus/(Deficit) Amount	Percent
Personnel Services	\$156,487,521	\$156,484,315	\$34,029,566	\$159,049,794	(\$2,565,479)	(1.6%)
Taxes, Benefits, Insurance	80,353,993	80,353,749	17,494,691	78,611,021	1,742,728	2.2%
Contractual Services	21,711,681	21,750,008	11,079,733	22,515,149	(765,141)	(3.5%)
Vehicle Costs	6,775,859	6,775,859	1,693,965	6,775,859	0	0.0%
Fuel	1,687,513	1,692,513	410,463	1,590,981	101,532	6.0%
Utilities	4,861,623	4,861,623	805,899	4,772,682	88,941	1.8%
Operating Materials, Supplies, Ins	33,846,808	33,786,304	12,234,668	32,411,061	1,375,243	4.1%
Equipment (Except Vehicles)	1,687,398	1,692,678	800,546	1,568,657	124,021	7.3%
Leases, Rentals	7,834,299	7,849,646	3,925,951	7,747,891	101,755	1.3%
Community Support	11,765,902	11,765,902	4,633,549	11,765,902	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	65,563,657	65,563,657	26,615,304	65,563,657	0	0.0%
Payments to Other Funds	20,099,962	20,099,962	2,628,448	19,949,962	150,000	0.7%
Direct Program Costs - DHS	10,041,477	10,041,477	2,451,196	9,375,421	666,056	6.6%
TOTAL EXPENDITURES	\$536,107,000	\$536,107,000	\$147,151,305	\$535,087,344	\$1,019,656	0.2%

TOTAL DIFFERENCE

\$4,254,656

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

<u>OTHER GENERAL FUND SUPPORTED FUNDS</u>	Adopted Budget	Projected Revenues	Projected Expenditures	<u>Surplus/(Deficit)</u>	
				Amount	Percent
Auto Liability Fund	\$1,576,300	\$1,576,300	\$1,711,500	(\$135,200)	(8.6%)
General Liability Fund	\$1,764,600	\$1,841,897	\$1,878,505	(\$36,608)	(2.0%)
Worker's Compensation Fund	\$3,159,100	\$2,989,234	\$3,160,402	(\$171,168)	(5.7%)
Recreation Revolving Fund	\$4,607,400	\$2,697,096	\$4,186,670	(\$1,489,574)	(55.2%)
Historical Services Fund	\$1,273,000	\$1,104,208	\$1,262,059	(\$157,851)	(14.3%)
Golf Course Fund	\$1,735,000	\$1,459,151	\$1,956,066	(\$496,915)	(34.1%)
Leeward Marina Fund	\$275,000	\$245,308	\$274,316	(\$29,008)	(11.8%)
Tourism Fund	\$1,451,000	\$1,451,000	\$1,448,285	\$2,715	0.2%
TOTAL	\$15,841,400	\$13,364,194	\$15,877,803	(\$2,513,609)	(18.8%)

TOTAL PROJECTED DIFFERENCE - Combined

\$1,741,047