

CITY OF NEWPORT NEWS

OFFICE OF THE CITY MANAGER

February 28, 2023

TO: The Honorable City Council
FROM: City Manager
SUBJECT: Second Quarter FY 2023 Financial Report

This second quarter forecast of revenues and expenditures, prepared by the Department of Budget and Evaluation, provides budgetary projections based on actual performance for the first six months of the current fiscal year (July through December) and a projection of financial activities over the remaining six months. At the end of the second quarter, there is sufficient financial activity to forecast both revenues and expenditures for the remaining half of the fiscal year.

Revenues

General Fund Revenues are projected to be higher than budgeted by \$10.8 million, or 1.9%. The City's primary tax base of Real Estate, Personal Property, and Machinery and Tool taxes is strong, and for the most part is anticipated to have higher than estimated collections.

With Real Estate Tax collections at the 50% mark, they are currently forecasted to exceed the \$240 million revenue estimate. Personal Property Tax receipts are on course to exceed this year's revenue \$64.4 million estimate by approximately \$4 million. While very early in the Personal Property assessment process, initial indications are that the extraordinary inflationary forces on both new and used cars experienced in FY 2022 have been significantly reduced. Machinery and Tools Taxes are also showing lower than estimated collections to date; these are projected to be under the \$30.8 million estimate by \$1.3 million.

At the end of the second quarter, sales tax revenue is higher than projected, driven in part by inflation. Collections are averaging approximately \$2.8 million per month; this is about \$156,000 more per month than the same period last year. Sales Tax revenues are currently projected to exceed the FY 2023 estimate of \$32.8 million by \$2 million. Meals Tax revenue is also higher than budgeted and anticipated to exceed the \$31.2 million estimate by \$1.7 million. We expect growth in these two revenue streams to moderate as inflation stabilizes.

The Other Local Taxes revenue category includes the most consumer sensitive revenue of lodging, amusement, and Business Professional and Occupational Licenses (BPOL) taxes, all of which are projected to meet or slightly exceed their individually estimated budgets. An unknown at this point is BPOL receipts; the

majority of this revenue will not be received until March. BPOL taxes are based on a business' gross receipts earned over the 2022 calendar year. These revenues will be closely monitored.

Housing market sales remain strong even with substantially higher interest rates. While the Grantees Tax on Deeds Collections are down slightly compared to this point last fiscal year, collections are strong to budget with collection at 55% of the \$2.7 million estimate for the year. The Revenue from Use of Money and Property category is projected to exceed the \$2.5 million revenue estimate by \$3.2 million. This increase is due to significant rebound in interest on bank deposits from the prior year.

General Fund revenues are currently projected to be above budget. This quarterly revenue estimate is based on the continued trends experienced to date, and anticipating moderating inflation conditions for the remainder of this fiscal year.


Expenditures

General Fund expenditures are anticipated to be within the adopted budget for the fiscal year. Several expenditure categories continue to be impacted by month over month inflationary pressure. This is seen in areas from fuel, food services, and other purchased goods. These pressures are offset by higher than expected vacancies and fringe benefits savings.

Combined Results

The overall General Fund Operating Budget is projected to end the year with a surplus, primarily driven by strong revenue receipts and managed expenditure controls.

We will continue to monitor revenue collections and departmental spending.


Cynthia D. Rohlf

Attachment

cc: Lisa Cipriano, Director of Budget and Evaluation

**FY 2023 OPERATING BUDGET
PROJECTED RESULTS OF OPERATIONS**

Second Quarter - July 2022 through December 2022

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	\$240,031,953	\$240,031,953	\$121,135,813	\$241,048,953	\$1,017,000	0.4%
Personal Property Taxes ²	64,465,000	64,465,000	34,294,409	68,465,000	4,000,000	6.2%
Machinery & Tools Taxes ³	30,817,000	30,817,000	12,678,219	29,517,000	(1,300,000)	(4.2%)
Other General Property Taxes	3,003,000	3,003,000	1,883,061	3,453,000	450,000	15.0%
Other Local Taxes	118,001,200	118,001,200	41,856,626	120,676,200	2,675,000	2.3%
Permits and Fees	2,982,826	2,982,826	1,718,363	2,749,826	(233,000)	(7.8%)
Fines and Forfeitures	1,372,958	1,372,958	693,014	981,958	(391,000)	(28.5%)
Revenue from Use-Money & Prop	2,551,797	2,551,797	4,741,735	5,751,797	3,200,000	125.4%
Charges for Services	6,571,687	6,571,687	4,137,109	7,271,687	700,000	10.7%
Miscellaneous Revenue	25,615,723	25,615,723	6,612,458	25,658,723	43,000	0.2%
Recovered Costs	14,121,122	14,121,122	6,560,494	13,799,122	(322,000)	(2.3%)
Non-Categorical Aid	948,000	948,000	416,867	786,000	(162,000)	(17.1%)
Shared Expenses	10,066,852	10,066,852	4,740,800	10,696,852	630,000	6.3%
Categorical Aid	38,234,882	38,234,882	22,458,091	38,816,882	582,000	1.5%
Non-Revenue Receipts	9,700,000	9,700,000	5,041,870	9,700,000	0	0.0%
TOTAL REVENUES	\$568,484,000	\$568,484,000	\$268,968,928	\$579,373,000	\$10,889,000	1.9%

<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	\$174,988,289	\$175,000,694	\$79,485,539	\$172,040,842	\$2,959,852	1.7%
Taxes, Benefits, Insurance	83,119,656	83,120,605	37,361,153	80,207,966	2,912,639	3.5%
Contractual Services	26,236,479	26,276,494	22,679,793	26,191,744	84,750	0.3%
Vehicle Costs	7,445,183	7,445,183	3,722,592	7,445,183	0	0.0%
Fuel	2,285,785	2,285,785	1,096,612	2,376,697	(90,912)	(4.0%)
Utilities	5,768,977	5,768,977	2,009,001	5,322,386	446,591	7.7%
Operating Materials, Supplies, Ins	39,577,598	39,617,844	19,596,752	38,733,121	884,723	2.2%
Equipment (Except Vehicles)	1,941,723	1,917,723	1,420,240	1,770,145	147,578	7.7%
Leases, Rentals	8,144,152	8,143,912	5,441,813	8,120,912	23,000	0.3%
Community Support	11,905,698	11,905,698	7,878,171	12,605,698	(700,000)	(5.9%)
Transfer to Schools	116,189,307	116,189,307	58,094,654	116,189,307	0	0.0%
Debt Service/Cash Capital	59,463,259	59,463,259	27,484,073	59,463,259	0	0.0%
Payments to Other Funds	21,351,417	21,351,417	1,925,793	21,351,417	0	0.0%
Direct Program Costs - DHS	10,066,477	9,997,102	4,984,238	9,653,184	343,918	3.4%
TOTAL EXPENDITURES	\$568,484,000	\$568,484,000	\$273,180,423	\$561,471,861	\$7,012,139	1.2%

TOTAL DIFFERENCE

\$17,901,139 3.1%

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	\$1,837,000	\$1,837,000	\$1,785,552	\$51,448	2.8%
General Liability Fund	\$1,915,800	\$1,865,000	\$1,942,895	(\$77,895)	(4.2%)
Worker's Compensation Fund	\$3,390,000	\$3,308,640	\$3,327,612	(\$18,972)	(0.6%)
Recreation Revolving Fund	\$4,653,600	\$4,285,862	\$4,285,862	\$0	0.0%
Golf Course Fund	\$1,861,700	\$1,775,610	\$2,018,020	(\$242,410)	(13.7%)
Leeward Marina Fund	\$286,200	\$250,717	\$282,164	(\$31,447)	(12.5%)
TOTAL	\$13,944,300	\$13,322,829	\$13,642,105	(\$319,276)	(2.4%)

TOTAL PROJECTED DIFFERENCE - Combined

\$17,581,863