

CITY OF NEWPORT NEWS

OFFICE OF THE CITY MANAGER

November 4, 2015

TO: The Honorable City Council
FROM: City Manager
SUBJECT: First Quarter FY 2016 Financial Report

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

The first quarter revenues are the most difficult to predict as it occurs prior to the collection of the majority of our semi-annual revenues (Real Estate Taxes, Personal Property Taxes, and Machinery and Tools Taxes). At the end of the first quarter, just 1.9% of the \$252.6 million of the entire General Property Tax revenue category has been collected. To further illustrate this point, only \$52,000 in Current Real Estate Taxes was received by the end of September against an estimate of \$169.9 million. Generally speaking, revenue performance during this first quarter is consistent with collections during the same period last fiscal year. It is important to recall that the estimate for this category of revenues is higher than FY 2015 by \$3.4 million due to stronger Real Estate and Machinery and Tool tax collections estimated during the FY 2016 budget development cycle.

Revenues

Revenues are expected to be as estimated for the fiscal year, with some minor deficits projected in some budgeted amounts at this early point in the fiscal year, spread through all the revenue categories for various reasons. The largest examples of these are a projected \$400,000 less in collection than estimated for both the Telecommunications Tax (due to

fewer telephone land lines operating within the City) and tax on deeds (signaling a slower than anticipated housing market).

In the Other Local Taxes revenue category, Sales Tax revenue is performing on a monthly basis slightly better as compared to the prior fiscal year. At the present time we are collecting an average of \$1.897 million per month that is \$47,000 more per month average than FY 2015. We are anticipating meeting or exceeding the Sales Tax estimate of \$23.9 million. Meal Tax receipts were strong during the first quarter, and are anticipated to exceed the \$24 million estimate by \$400,000 at this time. Lodging Tax collections appear to be slightly ahead of the \$3.3 million budget. Cigarette taxes again seem to be lagging in the first quarter, with a projection of \$200,000 less than the \$5.2 million estimate.

The receipts from two significant revenue sources remain unknown at this point, those being Machinery and Tools (paid on the same semiannual bases as Real Estate and Personal Property taxes) and Business Professional and Occupational Licenses (BPOL) taxes. The majority of the BPOL taxes will not be received until March. We are forecasting these revenues to perform as estimated for this fiscal year; they will be watched closely in March 2016. In all the other revenue categories there are some moderate fluctuations, mostly seasonal in nature. When taken as a whole, the variances at this point suggest any additional cause for concern.

Expenditures

The projected expenditure savings at the end of the first quarter is \$3.0 million. Personnel Services (salaries) are projected to be fully spent, with only a marginal savings of \$16,000. Fringe benefits category totals \$867,000 or 28% of the total projected savings. After fully funding the FY 2015 salary adjustment, and with extrapolating similar costs for the next planned phase in the current year, plus projecting meeting the attrition savings (budgeted at over \$5.4 million in the General Fund FY 2016), there are little vacancies savings predicted. That leaves \$2.1 million in potential year-end savings in all other expenditure categories. The majority of these lower projections are found in the overall slow use of Human Services programs (at \$933,000), minor utilities costs savings due to a relatively moderate summer condition (\$7,100), and vehicle fuel (\$111,000). Vehicle fuel is budgeted at 85 cents less per gallon than last fiscal year. Even with a higher than average rate spike for the first two months of FY 2016, fuel expenses should be lower than the

budgeted amount. With the more steady declining fuel rates occurring in October 2015, the next quarterly report may see higher potential savings.

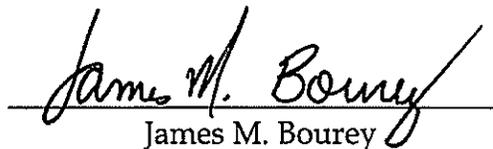
Combined Surplus

When creating the final revenue projections for FY 2016, the FY 2014 revenue receipts and FY 2015 year-end projections to date were used and moderated for potential economic changes. As a result, the FY 2016 revenue projections closely resemble where the City ended the prior fiscal year. At this point we expect the revenue collections to be on pace and to be close to the estimates at the close of the first quarter.

With the anticipation of meeting our revenue estimates and an early potential for not fully expending planned operating costs, the General Fund budget is projected to end the fiscal year with a surplus. We hope to see some growth in the consumer sensitive revenue receipts as the economy continues to stabilize. With the major revenue sources to be collected over the next month, and the potential of additional receipts from consumer generated taxes and fees, the second quarter projections will bring more clarity to a potential year-end result.

Conclusion

We will continue to monitor our revenue activity closely. I feel that with our current projected expenditure surplus and continued development throughout the City, we will be in a position to balance this year's budget as planned, with the prospective of a moderate surplus.


James M. Bourey

JMB:LJC:wmp

cc: Lisa J. Cipriano, Director, Office of Budget and Evaluation

**FY 2016 OPERATING BUDGET
PROJECTED RESULTS OF OPERATIONS**

First Quarter - July 2015 through September 2015

GENERAL FUND

REVENUES

	Revised Budget	YTD Receipts	Projected Total Receipts	<u>Projected Difference from Revised Budget</u> Surplus/ (Deficit)	
				Amount	Percent
Real Estate Taxes ¹	\$176,239,937	\$2,027,748	\$176,239,937	\$0	0.0%
Personal Property Taxes ²	52,155,000	2,435,147	52,155,000	0	0.0%
Machinery & Tools Taxes ³	21,880,000	15,264	21,880,000	0	0.0%
Other General Property Taxes	2,335,000	346,498	2,335,000	0	0.0%
Other Local Taxes	103,487,010	10,127,569	102,887,010	(600,000)	(0.6%)
Permits and Fees	3,418,048	736,413	3,318,048	(100,000)	(2.9%)
Fines and Forfeitures	2,353,968	273,867	1,703,968	(650,000)	(27.6%)
Revenue from Use-Money & Prop	2,297,302	322,618	2,164,302	(133,000)	(5.8%)
Charges for Services	6,190,604	1,356,236	5,840,604	(350,000)	(5.7%)
Miscellaneous Revenue	23,979,912	664,322	23,963,912	(16,000)	(0.1%)
Recovered Costs	12,773,560	2,534,885	12,458,560	(315,000)	(2.5%)
Non-Categorical Aid	1,128,137	275,483	1,028,137	(100,000)	(8.9%)
Shared Expenses	10,207,149	660,107	9,964,149	(243,000)	(2.4%)
Categorical Aid	31,523,066	2,990,119	31,243,066	(280,000)	(0.9%)
Non-Revenue Receipts	14,000,000	1,583,333	14,000,000	0	0.0%
Payments from Other Funds	278,307	0	278,307	0	0.0%
TOTAL REVENUES	\$464,247,000	\$26,349,609	\$461,460,000	(\$2,787,000)	(0.6%)

EXPENDITURES

	Revised Budget	YTD Exp/Enc	Projected Total Expense	<u>Projected Difference from Revised Budget</u> Surplus/ (Deficit)	
				Amount	Percent
Personnel Services	\$133,635,375	\$32,887,534	\$133,618,840	\$16,535	0.0%
Taxes, Benefits, Insurance	69,563,114	16,674,127	68,695,435	867,679	1.2%
Contractual Services	18,047,228	9,079,050	17,761,539	285,689	1.6%
Vehicle Costs	6,329,072	1,054,845	6,329,072	0	0.0%
Fuel	1,910,845	363,988	1,799,186	111,659	5.8%
Utilities	6,662,045	1,231,121	6,654,846	7,199	0.1%
Operating Materials, Supplies, Ins	27,545,669	13,519,904	26,907,739	637,930	2.3%
Equipment (Except Vehicles)	1,633,678	769,428	1,490,688	142,990	8.8%
Leases, Rentals	5,556,775	2,004,394	5,542,044	14,731	0.3%
Community Support	10,426,824	2,502,286	10,426,824	0	0.0%
Transfer to Schools	118,300,000	28,825,000	118,300,000	0	0.0%
Debt Service/Cash Capital	44,957,874	16,637,392	44,957,874	0	0.0%
Payments to Other Funds	10,963,725	1,146,039	10,963,725	0	0.0%
Direct Program Costs - DHS	8,714,776	2,516,505	7,781,066	933,710	10.7%
TOTAL EXPENDITURES	\$464,247,000	\$129,211,613	\$461,228,878	\$3,018,122	0.7%

TOTAL PROJECTED DIFFERENCE

\$231,122

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

OTHER GENERAL FUND SUPPORTED FUNDS

	Budget	Projected Revenues	Projected Expenditures	Projected Surplus/(Deficit)	
				Amount	Percent
Auto Liability Fund	\$1,419,300	\$1,529,431	\$1,355,490	\$173,941	11.4%
General Liability Fund	1,763,000	1,809,966	2,253,121	(\$443,155)	(24.5%)
Worker's Compensation Fund	3,253,500	3,306,643	2,961,252	\$345,391	10.4%
Recreation Revolving Fund	4,608,000	4,490,318	4,850,546	(\$360,228)	(8.0%)
Historical Services Fund	1,069,000	1,025,697	1,046,296	(\$20,599)	(2.0%)
Golf Course Fund	1,663,000	1,277,952	1,826,929	(\$548,977)	(43.0%)
Leeward Marina Fund	271,000	204,770	259,920	(\$55,150)	(26.9%)
Tourism Fund	1,384,000	1,489,930	1,533,707	(\$43,777)	(2.9%)
TOTAL	\$15,430,800	\$15,134,707	\$16,087,261	(\$952,554)	(6.3%)

PROJECTED DIFFERENCE (OTHER FUNDS) (\$952,554) (6.3%)

TOTAL PROJECTED DIFFERENCE - Combined General Fund and Other Funds (\$721,432)

USER FEE SUPPORTED FUNDS

	Budget	Projected Revenues	Projected Expenditures	Projected Surplus/(Deficit)	
				Amount	Percent
Stormwater Management Fund	\$19,993,000	\$19,993,000	\$19,500,000	\$493,000	2.5%
Solid Waste Fund	\$14,706,000	\$14,706,000	\$14,000,000	\$706,000	4.8%
Wastewater Fund	\$21,484,000	\$21,484,000	\$21,000,000	\$484,000	2.3%
Waterworks	\$86,950,000	\$86,969,655	\$86,550,500	\$419,155	0.5%

EXPENDITURES BY DEPARTMENT

(This is a departmental breakdown of the General Fund expenditures shown on page 1.)

	Revised Budget	YTD Exp/Enc	Projected Total Expense	<i>Projected Difference from Revised Budget</i>	
				Surplus/(Deficit) Amount	Percent
City Council	\$278,569	\$66,278	\$277,347	\$1,222	0.4%
City Clerk	326,231	98,269	326,231	0	0.0%
City Manager	1,251,141	321,566	1,251,141	0	0.0%
Human Resources	1,252,266	308,747	1,249,550	2,716	0.2%
City Attorney	1,661,854	437,047	1,652,131	9,723	0.6%
Internal Auditor	530,645	135,011	518,632	12,013	2.3%
Commissioner of the Revenue	2,512,281	623,362	2,456,432	55,849	2.2%
Real Estate Assessor	1,628,687	404,136	1,606,323	22,364	1.4%
City Treasurer	2,174,555	593,227	2,127,053	47,502	2.2%
Finance	1,214,709	396,670	1,214,250	459	0.0%
Budget and Evaluation	692,577	146,784	608,205	84,372	12.2%
Purchasing	1,126,872	387,251	1,117,929	8,943	0.8%
Information Technology	8,377,001	4,294,650	8,156,185	220,816	2.6%
Registrar	429,163	99,721	429,163	0	0.0%
Judiciary	1,428,506	345,450	1,306,949	121,557	8.5%
Circuit Court Clerk	1,500,026	362,293	1,493,899	6,127	0.4%
Commonwealth's Attorney	3,697,929	898,716	3,700,756	(2,827)	(0.1%)
Police	44,735,807	11,521,126	44,679,059	56,748	0.1%
Fire	31,806,849	9,292,995	31,806,849	0	0.0%
Sheriff	20,372,219	6,876,812	20,677,969	(305,750)	(1.5%)
Juvenile Services	7,749,670	2,354,697	7,749,670	0	0.0%
Codes Compliance	2,906,737	724,558	2,885,706	21,031	0.7%
Engineering	5,522,077	1,617,263	5,278,980	243,097	4.4%
Public Works	22,581,230	5,492,546	22,386,639	194,591	0.9%
Health	1,853,862	13,150	1,850,407	3,455	0.2%
Mental Health	1,523,521	761,761	1,523,521	0	0.0%
Human Services	32,443,175	8,896,184	31,527,774	915,401	2.8%
Parks, Recreation, and Tourism	13,122,359	4,368,804	13,122,359	0	0.0%
Libraries	4,526,354	1,371,773	4,505,209	21,145	0.5%
Development	1,661,134	422,175	1,600,361	60,773	3.7%
Planning	1,103,885	255,323	1,002,229	101,656	9.2%
Communications	1,588,131	320,599	1,505,336	82,795	5.2%
Appointed Boards	101,662	27,810	77,371	24,291	23.9%
Nondepartmental-Contingencies	49,704,118	11,816,203	48,728,023	793,178	1.6%
Community Support	10,426,824	2,502,286	10,426,824	0	0.0%
Transfers to Schools	118,300,000	19,716,667	118,300,000	0	0.0%
Debt Service/Cash Capital	44,957,874	28,477,000	44,957,874	0	0.0%
All Other Payments	17,176,500	2,462,703	16,961,625	214,875	1.3%
TOTAL EXPENDITURES	\$464,247,000	\$129,211,613	\$461,045,961	\$3,018,122	0.7%