

CITY OF NEWPORT NEWS

OFFICE OF THE CITY MANAGER

November 22, 2019

TO: The Honorable City Council
FROM: City Manager
SUBJECT: First Quarter FY 2020 Financial Report

The first quarter forecast of the FY 2020 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 revenues are always difficult to predict as this quarter occurs prior to the semi-annual collection of the major revenues sources (Real Estate, Personal Property, and Machinery and Tools Taxes). While only 2.5% of the \$279 million General Property Tax revenue category had been collected at the end of the first quarter, overall revenue performance is consistent with or slightly higher than collections during the same period last fiscal year.

Revenues

General Fund revenues are currently forecast to be slightly above budget. In the Other Local Taxes revenue category, Sales, Meals and Lodging Tax revenue are performing slightly better month over month compared to the prior fiscal year. While the majority of Business Professional and Occupational Licenses (BPOL) taxes will not be collected until March 2020, this revenue source performed strongly over the prior two fiscal years and early projections indicate this trend continuing. Other revenue categories are in line with projections and no significant fluctuations are projected at this time.

Expenditures

General Fund expenditures are projected to be modestly over budget. This is primarily attributed to the combined employee compensation categories of Personnel Services and Fringe Benefits, which are projected to be overspent by approximately \$3.7 million. This projection takes into consideration the vacancy rates for Public Safety and Corrections (Police, Fire, and Sheriff Departments), with overtime costs projected to be higher than budgeted for these departments. Several steps have been taken and are in the process of implementation to control this expense during the fiscal year.

Of the remaining expenditure categories, there are projected savings in Contractual Services, Operating Materials and Supplies, which are projected to partially offset the compensation category shortfall.

Combined Results

The FY 2020 Operating Budget revenue projections were developed utilizing FY 2018 actual revenue received, FY 2019 year-end projections, and economic assumptions for FY 2020. These revenue estimates are conservative, as consumer sensitive revenue receipts continues to advance. This conservative estimate was created with two economic impacts in mind, the potential of a recession and the continued influence of international trade policies. 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.

We will continue to monitor revenue collections and General Fund expenditures with the goal of achieving a surplus.



Cynthia D. Rohlf

CDR:LJC

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

**FY 2020 OPERATING BUDGET
PROJECTED RESULTS OF OPERATIONS**

First Quarter - July 2019 through September 2019

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	\$196,133,959	\$2,190,657	\$196,133,959	\$0	0.0%
Personal Property Taxes ²	56,495,000	4,449,222	56,495,000	0	0.0%
Machinery & Tools Taxes ³	24,400,000	0	24,900,000	500,000	2.0%
Other General Property Taxes	2,907,000	455,103	2,907,000	0	0.0%
Other Local Taxes	106,341,600	11,691,447	107,971,600	1,630,000	1.5%
Permits and Fees	4,033,302	675,107	4,033,302	0	0.0%
Fines and Forfeitures	1,757,800	366,166	1,757,800	0	0.0%
Revenue from Use-Money & Prop	3,711,394	424,714	3,711,394	0	0.0%
Charges for Services	6,428,825	1,776,437	6,428,825	0	0.0%
Miscellaneous Revenue	24,307,543	566,635	24,307,543	0	0.0%
Recovered Costs	14,789,590	3,432,889	14,789,590	0	0.0%
Non-Categorical Aid	1,009,455	327,474	1,009,455	0	0.0%
Shared Expenses	9,366,146	1,472,621	9,366,146	0	0.0%
Categorical Aid	35,427,646	7,918,613	35,906,646	479,000	1.4%
Non-Revenue Receipts	10,533,740	2,508,435	10,533,740	0	0.0%
Payments from Other Funds	0	0	0	0	0.0%
TOTAL REVENUES	\$497,643,000	\$38,255,520	\$500,252,000	\$2,609,000	0.5%

EXPENDITURES

	Revised Budget	YTD Exp/Enc	Projected Total Expense	<u>Projected Difference from Revised Budget</u>	
				Surplus/ (Deficit) Amount	Percent
Personnel Services	\$150,648,721	\$35,310,640	\$154,914,829	(\$4,266,108)	(2.8%)
Taxes, Benefits, Insurance	75,925,182	17,122,950	75,442,897	482,285	0.6%
Contractual Services	21,680,282	13,133,440	21,589,550	90,732	0.4%
Vehicle Costs	6,401,097	1,600,274	6,401,097	0	0.0%
Fuel	1,786,544	360,967	1,583,569	202,975	11.4%
Utilities	6,920,093	1,534,484	7,549,989	(629,896)	(9.1%)
Operating Materials, Supplies, Ins	23,315,299	9,546,710	22,748,685	566,614	2.4%
Equipment (Except Vehicles)	1,672,698	218,371	1,577,952	94,746	5.7%
Leases, Rentals	7,035,063	2,743,639	6,771,302	263,761	3.7%
Community Support	11,593,768	2,817,476	11,391,768	202,000	1.7%
Transfer to Schools	110,889,307	27,722,327	110,889,307	0	0.0%
Debt Service/Cash Capital	54,625,530	29,146,386	54,625,530	0	0.0%
Payments to Other Funds	15,807,089	408,240	15,607,089	200,000	1.3%
Direct Program Costs - DHS	9,342,327	2,574,633	9,096,706	245,621	2.6%
TOTAL EXPENDITURES	\$497,643,000	\$144,240,536	\$500,190,271	(\$2,547,271)	(0.5%)
TOTAL EXPENDITURES	\$497,643,000	144,240,536			

TOTAL PROJECTED DIFFERENCE

\$61,729

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