



**INTEROFFICE MEMORANDUM**  
*Office of the City Manager*

**DATE:** May 19, 2021 **FILE:** CM-21-017

**TO:** Mayor, Vice Mayor, and City Commissioners

**FROM:** Dr. Wazir A. Ishmael  
City Manager

**SUBJECT:** 2021 Second Quarter Budget Report

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**Issue:**

Second Quarter Analysis of Budget Compared to Actual Revenues and Expenditures.

**Explanation:**

This second quarter analysis of the City's budget compared to actual revenues and expenditures is for your information. This report is for the period beginning October 1, 2020 and ending March 31, 2021 with projections through September 30, 2021. Should you have any questions, Staff is available at your convenience.

**Recommendation:**

For your information.

c: Deputy City Manager  
Assistant City Manager  
City Attorney  
Department/Office Directors  
CRA Executive Director

**DATE:** May 5, 2021 **FILE:** OBPM 21-006

**TO:** Wazir A. Ishmael, Ph.D.  
City Manager

**VIA:** Adam Reichbach  
Assistant City Manager, Finance and Administration

**FROM:** Laurette Jean  
Budget Director

**SUBJECT:** Fiscal Year 2021 – Second Quarter Budget Projections

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The following report provides an overview of the City's operating revenues and expenditures through March 31, 2021, as compared to budgeted amounts. The purpose of this report is to increase transparency of the City's finances, adjust budget projections based on emerging trends, and proactively respond to unanticipated changes.

### **General Fund Revenue Update**

When we developed the Fiscal Year (FY) 2021 budget, there were many uncertainties concerning the continued impact of the COVID-19 pandemic on the City's finances. As such, the Office of Budget & Performance Management (Budget Office) utilized historical revenue data, pre- and post-recessionary revenue trends, economic reports, and State of Florida projections to develop the FY 2021 General Fund revenue budget.

It is with great enthusiasm that we can report as of March 31, 2021, approximately 78% of the General Fund revenues have been collected. Revenue collections to date are comparable to collections before the peak of the COVID-19 pandemic. This is primarily attributable to 91.5% of property tax revenues being collected.

Based on posted transactions to date, General Fund revenues are projected to have a surplus of \$2.2 million by year-end. Other than property tax revenues, General Fund revenues consist of the following major revenue sources:

- **Franchise Fees:** Franchise fee revenues, particularly electric franchise fees, fluctuated throughout the latter part of the prior fiscal year. With that in mind, the FY 2021 budget was modified accordingly. Based on collections to date, franchise fee revenues are anticipated to come in higher than budget. This is primarily due to the increase in solid waste franchise fee rates approved by Commission prior to the pandemic.

*Overall Revenue Gain: Approximately \$694,000*

- Intergovernmental: Two of the major revenue sources in this category include sales tax and state shared revenues. Based on projections prepared by the State, further revenue loss was anticipated in these categories stemming from the pandemic. However, consumer spending has remained strong and is a contributing factor to higher than anticipated sales tax and state shared revenues.

*Overall Revenue Gain: Approximately \$865,000*

- User Charges/Fees: This revenue category consists of user charges and fees collected from individuals in exchange for a particular service or benefit. Most of the large revenue sources in this category are expected to reflect a revenue gain. Parks & Recreation revenues, however, are expected to end the year with a revenue loss of approximately \$495,000. The projected loss is directly attributable to program closures and limited amenities in adherence to local emergency orders concerning the COVID-19 pandemic.

*Overall Revenue Gain: Approximately \$650,000*

- Fines and Forfeitures: Although this revenue category represents less than 1% of the overall General Fund revenue budget, Budget staff continues to closely monitor collections in this category. Over the recent years, we have noted a decline in fines and forfeiture revenue collections and have adjusted the budget accordingly. Court fines have been greatly impacted by the closures during the peak of the pandemic.

*Overall Revenue Loss: Approximately <\$370,000>*

The table summarizes the General Fund revenue budget compared to projections.

**Table 1: General Fund Revenue Projection**

<b>Revenue Categories</b>	<b>Amended Budget</b>	<b>Year End Projections</b>	<b>Variance</b>
Property Taxes	\$ 131,452,427	\$ 131,951,870	\$ 499,443
Franchise Fees	\$ 11,873,153	\$ 12,567,323	\$ 694,170
Utilities Service Taxes	\$ 19,956,556	\$ 20,239,639	\$ 283,083
Licenses & Permits	\$ 2,177,500	\$ 2,200,510	\$ 23,010
Intergovernmental	\$ 14,739,480	\$ 15,604,134	\$ 864,654
User Charges/Fees	\$ 41,529,693	\$ 42,181,309	\$ 651,616
Fines & Forfeitures	\$ 935,600	\$ 565,234	\$ (370,366)
Reimbursements	\$ 19,877,887	\$ 19,722,228	\$ (155,659)
Transfers In	\$ 6,480,416	\$ 6,480,416	\$ -
Miscellaneous and Interest	\$ 2,299,193	\$ 2,057,801	\$ (241,392)
Fund Balance -Other	\$ 5,843,569	\$ 5,843,569	\$ -
17% Reserve	\$ 40,980,974	\$ 40,980,974	
<b>Total Revenues</b>	<b>\$ 298,146,449</b>	<b>\$ 300,395,008</b>	<b>\$ 2,248,559</b>

## General Fund Expenditure Update

Unlike revenues, operating expenditures tend to be more consistent and controllable. As of March 31, 2021, approximately 45% of the General Fund appropriations budget has been expended. The information below highlights a few notable expenditure trends:

- Overtime expenditures has increased in several departments/divisions. The Code Compliance Division have exceeded their overtime budget by \$86,000. This overage is related to enforcement of the County’s Emergency Order authorized by R-2020-151. The City, however, has received approximately \$178,000 in revenue reimbursement from the County to offset these costs. Fire Rescue and Public Works Departments also have increases in overtime that is currently being monitored.
- Expenditure projections incorporate a settlement payment made to the General Employee Pension.
- Approximately \$276,000 of the projected operating expense savings are related to reduced programming at City Parks.
- The City continues to maintain 17% fund balance reserves.

Based on the expenditures to date and anticipated expenditures through the end of the fiscal year, the estimated savings in the General Fund by year-end is \$1.2 million. Although the projected savings are modest, we must note that the City has managed to maintain normal operations without implementing service level reductions, maintain relatively low vacancies, and preserve the 17% operating reserves throughout the pandemic.

**Table 2: General Fund Expenditure Projection**

<b>Expenditure Categories</b>	<b>Amended Budget</b>	<b>Year End Projections</b>	<b>Variance</b>
Personnel	\$ 185,062,984	\$ 185,029,142	\$ 33,842
Operating	\$ 35,331,244	\$ 34,117,660	\$ 1,213,584
Capital Outlay	\$ 158,193	\$ 154,443	\$ 3,750
Debt Service	\$ 6,210,130	\$ 6,210,130	\$ -
Non-Operating	\$ 30,402,923	\$ 30,385,594	\$ 17,329
17% Reserves	\$ 40,980,974	\$ 40,980,974	\$ -
<b>Total Expenditures</b>	<b>\$ 298,146,449</b>	<b>\$ 296,877,944</b>	<b>\$ 1,268,505</b>

Overall, the General Fund is expected to end the fiscal year with a net surplus of \$3.5 million. The projected surplus is a positive sign considering that the U.S. economy remains in a tenuous state as the nation hopes to enter a pandemic recovery phase.

**Table 3: Summary: Fiscal Year 2021 General Fund Projections**

	<b>Amended Budget</b>	<b>Year End Projections</b>	<b>Variance</b>
Revenues	\$ 298,146,449	\$ 300,395,008	\$ 2,248,559
Expenditures	\$ 298,146,449	\$ 296,877,944	\$ 1,268,505
<b>Projected Surplus</b>			<b>\$ 3,517,064</b>

### **Other Funds Update**

#### Internal Service Funds:

The Internal Service Funds consist of the Central Service Fund for services rendered to internal departments (such as IT) and the Insurance Fund (health and risk management). These funds are not expected to be negatively impacted by the COVID-19 pandemic. The Central Service Fund is expected to end the fiscal year with an estimated surplus of \$399,569 and the Insurance Fund is expected to end the fiscal year with an estimated surplus of \$6.3 million. The projected savings in the Insurance Fund is largely attributable to \$2.5 million additional revenues from pharmacy rebate and \$3.7 million in projected savings related to insurance claims and premium payments.

#### Enterprise Funds:

##### *Water & Sewer Utility Fund*

The Water & Sewer Utility Fund has seen an increase in account receivables compared to the prior fiscal year. At this point, it is difficult to ascertain if aging account receivables will be collected by the end of the fiscal year.

On the expenditure side, the Public Utilities Department has had several executive and management-level vacancies. The value of those vacancies through the end of the second quarter is approximately \$1.1 million. The projections also assume approximately \$1 million in operating savings by fiscal year-end.

##### *Stormwater Fund*

Stormwater revenues and expenditures are anticipated to come in at budget with a net surplus of \$279,430. There are no significant variances or fiscal challenges expected through the end of the fiscal year.

##### *Sanitation Fund*

The Sanitation Fund is expected to end the fiscal year with a nominal net gain of approximately \$64,121. As with the Water & Sewer Utility Fund, it is a bit difficult to accurately predict revenue collections within the increased aging of account receivables. This fiscal year, the monthly

sanitation rates increased to \$42 per single-family home/duplex apartments. The rate increase has helped to soften the impact of the pandemic on this fund. We will continue to monitor revenues and expenditures of the fund throughout the year and take corrective actions (if needed).

### *Parking Fund*

The Parking Enterprise Fund was amongst the funds hardest hit by the pandemic. The Parking Division staff in collaboration with the City Manager's Office, Budget Office, Police Chief, and Assistant Chief met monthly to review the Parking Fund's budget and ensure that the fund remains in the black. This fiscal year, with the reopening of beaches and non-essential businesses, the Parking Fund has experienced higher revenues than anticipated. Based on the financial transactions posted through March 31, 2021, the Parking Enterprise Fund is expected to end the fiscal year with a net gain of \$1.4 million. It is important to note that Parking revenues are still lower than pre-pandemic revenue collections and will require continuous monitoring.

### *Golf Fund*

As with prior years, the Golf Fund is expected to end the fiscal year in a deficit. Due to the reoccurring imbalance of the fund, the Finance and Budget Offices have discussed rolling the fund back in with the General Fund. However, in anticipation of major capital improvements planned for Orangebrook, we have decided to hold off on making this change and continue to monitor the performance of the fund.

Overall, nearly all Citywide funds are expected to end the fiscal year in the positive while continuing to meet the growing demands of residents. As previously mentioned, the projections presented in this report are based on financial data through the end of March. The projections are subject to change as additional financial data becomes available. We will continue to monitor Citywide budgets and make budgetary changes as needed.

Attachments: FY 2021 Budget Snapshot (Period Ending March 31, 2021)