



INTEROFFICE MEMORANDUM
Office of the City Manager

DATE: September 1, 2021 **FILE:** CM-21-029

TO: Mayor, Vice Mayor, and City Commissioners

FROM: Dr. Wazir A. Ishmael
City Manager

SUBJECT: 2021 Third Quarter Budget Report

Issue:

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

Explanation:

This third 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 June 30, 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: August 30, 2021 **FILE:** OBPM 21-012

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 – Third Quarter Budget Projections

The following report provides an overview of the City's operating revenues and expenditures through June 30, 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

As of June 30, 2021, approximately 93% of the General Fund revenues have been collected.

Based on posted transactions to date, General Fund revenues are projected to have a surplus of \$2.9 million by year-end. The projected surplus is primarily attributable to the following:

- **Property Taxes:** 99.6% of budgeted property tax revenues have been collected to date.
- **Franchise Fees:** Franchise fee revenues, particularly electric franchise fees, have fluctuated throughout the pandemic. For this reason, franchise fee revenues were conservatively budgeted in FY 2021. Based on collections to date, franchise fee revenues are anticipated to come in higher than budget. Contributing to this revenue, is the increase in solid waste franchise fee rates approved by Commission prior to the pandemic.
- **Intergovernmental:** The past three quarters of the fiscal year have yielded higher gains in the sales tax and state shared revenues categories. Originally, the Office of Economic and Demographic Research estimated significant loss in sales tax and state shared revenues due to reduced consumer confidence and spending. However, increased tourism amongst other factors has contributed to higher-than-expected revenues in these categories.

- **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 meet or exceed the budget by the end of the fiscal year. Parks & Recreation revenues, however, are expected to end the year with a revenue loss of approximately \$399,000. The projected loss is directly attributable to reduced capacity at the camps, limited programming, and lower-than-usual facility rentals. There are corresponding savings in the Parks and Recreation expenditures due to the decreased demand for services.
- **Interest Earnings:** Interest earnings over the recent years have been relatively high. However, recognizing the impact of low market rates on investments, we opted to conservatively budget interest earnings for FY 2021. Despite our best efforts, market returns are substantially lower than budget and expected to come in approximately \$847,000 under budget. Looking ahead, the City has contracted with an investment management services firm, Public Trust Advisors, LLC, to provide recommendations on maximizing yields while ensuring the preservation of capital and liquidity. Additionally, the FY 2022 budget includes a reduction to budgeted interest earnings. The Budget Office will continue to work in collaboration with the Treasury Division and Public Trust Advisors to effectively manage this revenue source.

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

Table 1: General Fund Revenue Projection

Revenue Sources	Amended Budget	Year End Projections	Variance
Property Taxes	131,452,427	131,258,191	(194,236)
Franchise Fees	11,873,153	12,950,000	1,076,847
Utilities Services Tax	19,956,556	20,580,000	623,444
Licenses & Permits	2,177,500	2,314,057	136,557
Intergovernmental	14,739,480	16,268,865	1,529,385
User Charges/Fees	41,649,693	42,333,352	683,659
Fines & Forfeitures	935,600	564,124	(371,476)
Reimbursements	19,877,887	19,999,218	121,331
Transfers In	6,480,416	6,480,416	-
Miscellaneous & Interest	2,349,193	1,727,968	(621,225)
Fund Balance - Other	7,490,569	7,490,569	-
17% Reserves	40,980,974	40,980,974	-
Total Revenues	299,963,449	302,947,734	2,984,286

General Fund Expenditure Update

As of June 30, 2021, approximately 62% of the General Fund appropriations budget has been expended. Overall, expenditures are trending as anticipated and consistent with existing contractual obligations necessary for City operations.

The information below highlights a few notable expenditure trends that are unique to the COVID-19 pandemic:

- Overtime expenditures continue to trend higher than prior years across several departments including Police, Fire Rescue and Beach Safety, and Public Works. This trend is primarily related to increased demand for public safety personnel during the pandemic. The Budget Office continues to closely monitor overtime expenditures and work with the relevant departments to ensure it does not exceed the total personnel budget.
- General Fund operating expenditures are expected to end with a surplus primarily due to savings in several utility accounts (i.e., water and electricity). The savings are partially related to the closure of City facilities for most of the fiscal year.

Table 2: General Fund Expenditure Projection

Expenditure Categories	Amended Budget	Year End Projections	Variance
Personnel Services	184,187,484	183,199,263	988,221
Operating Expenses	36,137,435	34,644,436	1,492,999
Capital Outlay	297,502	205,297	92,205
Debt Service	6,210,130	6,210,130	-
Non-Operating	32,149,923	32,132,594	17,329
17% Reserves	40,980,974	40,980,974	-
Total Expenditures	299,963,449	297,372,696	2,590,753

Based on the expenditures to date and anticipated expenditures through the end of the fiscal year, the estimated expenditure savings in the General Fund by year-end is \$2.5 million.

Overall, the General Fund is expected to end the fiscal year with a net surplus of \$5.5 million. The projected surplus is a positive sign considering the continuous health challenges impacting our employees, residents, businesses, and government operations.

Table 3: Summary: Fiscal Year 2021 General Fund Projections

	Amended Budget	Year End Projections	Variance
Revenues	299,963,449	302,947,734	2,984,285
Expenditures	299,963,449	297,372,696	2,590,753
Projected Surplus			5,575,038

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). The Central Service Fund is expected to end the fiscal year with an estimated surplus of \$668,789 and the Insurance Fund is expected to end the fiscal year with an estimated surplus of \$4.7 million. The projected savings in the Insurance Fund is largely attributable to \$2.6 million additional revenues from the pharmacy rebate and Medicare Part D rebates.

Enterprise Funds:

Water & Sewer Utility Fund

The Water & Sewer Utility Fund continues to experience an increase in account receivables compared to the prior fiscal year. On the expenditure side, the Public Utilities Department has had several executive and management-level vacancies for the greater part of the fiscal year which contributes to the projected operating savings of \$3.8 million by year-end. To date, several of the executive and management-level positions have been filled.

Based on outstanding account receivables and projected expenditures savings, it is anticipated that the fund will end the year in a positive position with a net gain of \$6.1 million.

Stormwater Fund

Stormwater revenues and expenditures are anticipated to come in at budget with a net gain of \$682,292. 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 \$482,696. 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's rate increase has helped to soften the impact of the pandemic on this fund.

Parking Fund

Last year, the Parking Enterprise Fund experienced significant revenue loss resulting from beach and business closures. This year, the Parking Enterprise Fund has greatly recovered from the prior year's losses and revenues are expected to hit pre-pandemic levels.

Overall, the fund is expected to end the fiscal year with a projected net gain of \$2.8 million. The projected gain is due to higher use of City parking facilities/meters and initiatives put in place to control spending in the Parking division over the past year.

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.

In summary, nearly all Citywide funds are expected to perform better than originally projected. As previously mentioned, the projections presented in this report are based on financial data through the end of June. Although the third-quarter results indicate positive outcomes by year-end, we must keep in mind that there are external forces (i.e., a surge in COVID-19 infection rates) that may further impact City operations and funding. We will continue to monitor internal and external conditions and take necessary steps to secure the financial position of the City.

Attachments: FY 2021 Budget Snapshot (Period Ending June 30, 2021)