



INTEROFFICE MEMORANDUM
Office of the City Manager

DATE: February 24, 2022 **FILE:** CM-22-012

TO: Mayor, Vice Mayor, and City Commissioners

FROM: Dr. Wazir A. Ishmael
City Manager

SUBJECT: FY 2022 First Quarter Budget Report

Issue:

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

Explanation:

This first 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, 2021 and ending December 31, 2021 with projections through September 30, 2022. 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: February 24, 2022 **FILE:** OBPM 22-006

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 2022 – First Quarter Budget Projections

The following report provides an overview of the City’s operating revenues and expenditures through December 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

As of December 31, 2021, approximately 65% of the General Fund revenues have been collected. Based on posted transactions through December 31, 2021, General Fund revenues are projected to have a surplus of \$4.1 million by year-end. General Fund revenues projections are driven by the following revenue sources:

- **Property Taxes:** 88.3% of property tax revenues have been collected. This is slightly higher than the prior year’s collection rate of 87.1% during the same quarter.
Estimated Revenue Gain: Approximately \$1,780,000
- **Franchise Fees:** Based on collections to date, franchise fee revenues are anticipated to come in higher than budget. This is primarily due to the increase in FPL rates.
Estimated Revenue Gain: Approximately \$1,415,000
- **Intergovernmental:** Two of the major revenue sources in this category include sales tax and state shared revenues. Taking into account the State’s optimistic projections with sales tax revenues and our analysis of collections to date, revenue gains are projected in this revenue category.
Estimated Revenue Gain: Approximately \$493,000

- **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 \$200,000. The projected loss is related to the lingering effects of the pandemic on park programs.

Estimated Revenue Gain: Approximately \$248,000

- **Reimbursements:** The Finance Department has historically charged an internal fee to all City funds for cash management services. The Revenue Estimating Committee has determined that the method in which the charges are made should be reevaluated as part of the cost allocation study currently underway. For this reason, the first quarter projections assume that the fee will not be charged until an appropriate resolution has been identified.

Estimated Revenue Loss: Approximately < \$800,000 >

- **Miscellaneous:** This revenue category contains sources that are not typically included in the adopted budget due to the infrequency of revenue source, difficulty in estimating from year to year, and/or the one-time nature of the revenue source. This category is expected to end the year with a surplus of approximately \$1.2 million resulting from the sale of a City-owned property located on Van Buren Street.

Estimated Revenue Gain: Approximately \$1,200,000

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

Table 1: General Fund Revenue Projections

Revenues	FY 2022 Amended Budget	FY 2022 Projection	Positive (Negative) Variance
Property Taxes	134,729,401	136,488,032	1,758,631
Franchise Fees	12,385,000	13,800,000	1,415,000
Utilities Service Taxes	20,412,000	20,369,005	(42,995)
Licenses & Permits	2,275,000	2,345,344	70,344
Intergovernmental	15,774,000	16,267,865	493,865
User Charges/Fees	45,468,314	45,717,010	248,696
Fines & Forfeitures	755,500	700,526	(54,974)
Reimbursements	22,111,329	21,306,329	(805,000)
Transfers In	6,722,112	6,722,112	-
Miscellaneous & Interest	1,697,840	2,747,333	1,049,493
Fund Balance -Other	6,322,826	6,322,826	-
17% Reserve	40,980,974	40,980,974	-
Total Revenues	309,634,296	313,767,356	4,133,060

General Fund Expenditure Update

Unlike revenues, operating expenditures tend to be more consistent and controllable. As of December 31, 2021, approximately 14% of the General Fund appropriations budget has been expended. The information below highlights a few notable expenditure trends:

- Personnel expenditures are expected to come in under budget primarily due to vacancies during the first quarter of the fiscal year. A few departments experiencing higher than usual vacancies include: the Police Department whose vacancy rate increased from 2% to 8%, the Development Services Department with a vacancy rate of 16%, and Public Works with a vacancy rate of 23%. The vacant positions are actively in the recruitment process and are assumed to be filled by year-end.
- In the operating budget category, training and utilities expenditures are estimated to come in under budget across various departments and offices. Both expenditure types have been effected by the pandemic. Many training opportunities, particularly those that require travel, were reduced and City facility closures have contributed to savings in overall utilities.
- 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.

Table 2: General Fund Expenditure Projection

Expenditures	FY 2022 Amended Budget	FY 2022 Projection	Positive (Negative) Variance
Personnel Services	192,759,365	192,026,039	733,326
Operating	39,522,811	39,005,510	517,301
Capital Outlay	306,765	271,082	35,683
Debt Service	5,055,156	5,055,156	-
Non-Operating	31,009,225	31,009,225	-
Subtotal	268,653,322	267,367,012	1,286,310
17% Reserve	40,980,974	40,980,974	-
Total Expenditures	309,634,296	308,347,986	1,286,310

Overall, the General Fund is expected to end the fiscal year with a net surplus of approximately \$5.4 million. As a reminder, this projection report is based on one quarter of actuals and does not accurately represent the outcome of revenues and expenditures by year end. If all assumptions remain constant and the projected net surplus is realized, the \$5.4 million would be used to close the FY23 budget gap (as we have done in the past).

Building Fund Update

Building permit revenues (particularly for general permits, plumbing, and air conditioning) are expected to come under budget based on transactions posted to date and past collections during the same period. Building expenditures are expected to come in under budget primarily due to savings in consumable equipment and tools. Overall, the Building Fund is expected to end the fiscal year in the black.

Internal Service Fund Update

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 \$102,437 and the Insurance Fund is expected to end the fiscal year with an estimated surplus of \$2.9 million. Anticipated pharmacy rebates and Medicare Part D rebates contribute to the estimated surplus.

Enterprise Funds

Water & Sewer Utility Fund

The Water & Sewer Utility Fund continues to experience an increase in aging account receivables compared to the prior fiscal year. On the expenditure side, the Public Utilities Department has 25 vacancies which contribute to the projected operating savings of \$563,933 by year-end. The vacant positions are actively in the recruitment process and are expected to be filled before the end of the year.

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 \$2.0 million.

Stormwater Fund

Stormwater revenues and expenditures are anticipated to come in at budget with a net gain of \$82,241. 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 \$301,362. Similarly to the Water & Sewer Utility Fund, it is challenging to accurately predict revenue collections with the increased aging of account receivables. A review of the aging accounts is underway and as payments are made, we will be able to better determine revenue collections throughout the year.

Parking Fund

The Parking Enterprise Fund experienced significant revenue loss resulting from beach and business closures during the height of the pandemic. To date, parking revenues are trending positively and is expected to exceed pre-pandemic levels this year (particularly with metered street parking). Overall, the fund is expected to end the fiscal year with a projected net gain of \$1.6 million.

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.

Summary

In summary, nearly all Citywide funds are managing well within budget and are expected to end the fiscal year in a positive position. As previously mentioned, the projections presented in this report are based on financial data through the end of December and are subject to change. The full extent to which internal and external factors, such as another surge in COVID-19 infection rates, may fiscally impact the City's budget cannot be quantified at this time. We will continue to monitor internal and external economic conditions and continue to take proactive steps to ensure that the City budget remains balanced and manageable.

Attachments: FY 2022 Budget Snapshot (Period Ending December 31, 2021)