

Third Quarter FY 2021 Financial Report

Category	Current Year (in thousands)				Prior Yr. (in thousands)		
	FY21 Adp.	FY21 Amd.	Actual 3/31/21	% Amd.	Actual 6/30/20	Actual 3/31/20	% Act.
Revenue							
Property Taxes	43,816	43,816	41,858	96%	42,552	41,703	98%
From Other Gov't.	21,650	21,410	15,662	73%	23,201	14,758	64%
Fines /Forfeitures	1,583	1,583	731	46%	1,510	1,289	85%
Use of Money/Property	1,341	1,634	875	54%	2,364	1,740	74%
Charges for Services	7,405	5,019	1,983	40%	5,472	5,090	93%
Licenses/Permits	3,411	3,411	1,797	53%	3,595	2,799	78%
Other Revenue	5,399	6,172	3,779	61%	5,204	4,014	77%
Total Revenue (\$)	84,605	83,045	66,684	80%	83,896	71,393	85%
Expenditures							
Personnel	51,813	51,253	36,198	71%	51,146	38,346	75%
Operating	15,033	14,823	8,390	57%	13,092	9,914	76%
Capital Outlay	1,722	2,062	536	26%	2,097	1,453	69%
Other	2,476	2,474	1,963	79%	2,307	2,080	90%
CIP Transfer	6,330	7,007	5,083	73%	9,800	7,350	75%
Transfers Out	6,261	6,262	4,696	75%	6,202	4,651	75%
Total Expenditures (\$)	83,635	83,880	56,867	68%	84,644	63,794	75%

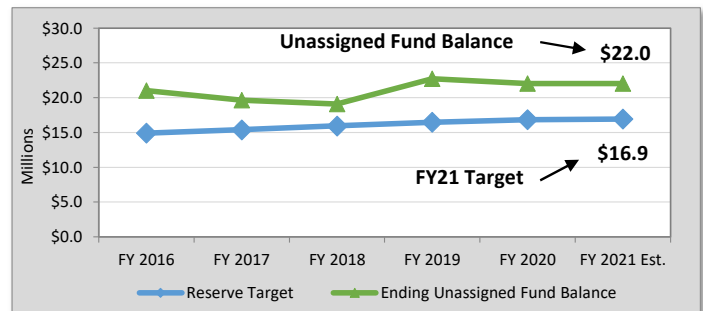
General Fund Summary

The amended budget includes adjustments made on the November and March budget amendments to recognize reductions in the first half of the fiscal year due to ongoing pandemic-related program changes and closures. An additional amendment is planned for May to recognize such reductions from 3Q.

Due to conservative financial management including a planned addition to reserves included in the FY21 adopted budget, the city has not had to utilize reserves to date to offset losses in General Fund revenue.

General Fund Unassigned Fund Balance

The FY21 unassigned fund balance equals \$22 million, or \$5.1 million above the FY21 reserve target of \$16.9 million. The FY21 adopted budget included a planned addition to reserves of \$970,000. Of this funding, \$280,000 was used to fund employee leave buyback on the November budget amendment, and \$684,000 was used on the March budget amendment to offset the increased transfer to the Capital Projects Fund. Staff recommends using \$500,000 in unassigned fund balance on the May budget amendment to fund the Spray Park CIP project, bringing the balance above the reserve target to \$4.6 million.



General Fund Contingency Status

Per the City's Financial Management Policies, contingency funds are available for unanticipated, unbudgeted expenditures of a non-recurring nature and/or unexpected cost increases.

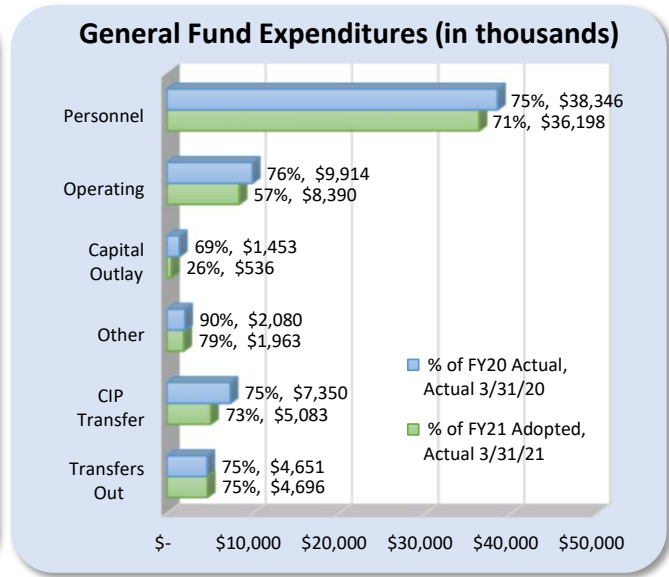
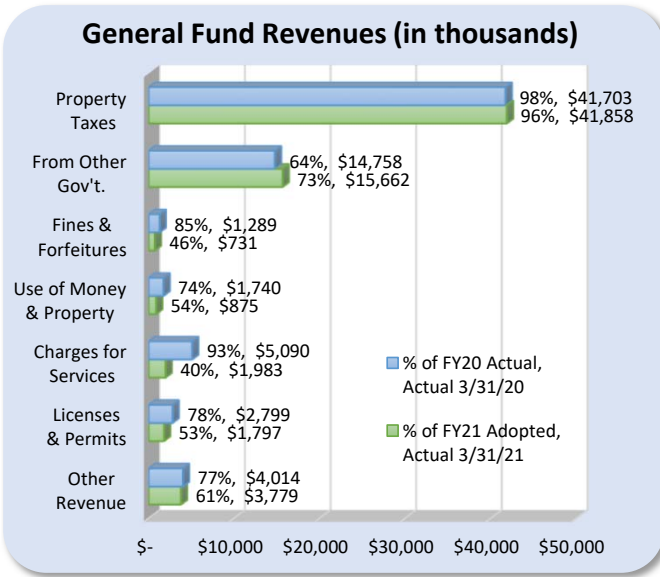
General Fund Contingency Usage through 3Q	Amount
Adopted FY21 General Fund Contingency	310,000
Additional funding for police parking lease	(6,000)
Additional credit card fees due to online permitting	(21,000)
Electronic bidding (procurement) software	(40,000)
Temporary employee for COVID testing	(10,000)
Recruitment costs for City Attorney	(21,300)
Emergency gate repair at maintenance yard	(9,775)
City Hall security project	(50,000)
City Hall air filters and HVAC UV lights	(76,000)
FY21 Contingency Remaining (\$)*	75,925

*An additional \$31,220 has been set aside to date in 4Q to replace the current agenda and minutes system, bringing the total contingency remaining to \$44,705.

Unspent Personnel Funds

Unspent funds related to vacant General Fund positions are tracked and reported quarterly, along with any uses of these funds. Historically, in addition to vacancy-related costs, these funds have been used for weather-related needs such as snow removal.

Unspent Personnel Funds	3Q Only	YTD FY21
Gross unspent funds from vacancies	635,394	1,703,903
Vacancy-related (costs)/savings	(280,391)	(1,030,717)
Net Unspent Funds	355,003	673,186
<i>Uses of Net Unspent Funds</i>		
Employee leave buyback	-	(53,000)
Snow & ice removal	(220,000)	(220,000)
Net Unspent Funds Remaining (\$)	135,003	400,186



General Fund Revenues by Category

Property Taxes totaled \$41.9 million for 3Q, or 96% of the adopted target, similar to 3Q FY20. Personal property tax revenue, which makes up just under 8% of this revenue category, is coming in more slowly than in FY20 and will be reduced on the May budget amendment.

Revenue **From Other Governments** totaled \$15.7 million for 3Q, compared to \$14.8 million in FY20. The FY21 total includes over \$1 million in federal aid related to the COVID-19 pandemic. Income tax, the largest revenue source within this category, totaled \$10.3 million through 3Q FY21, compared to \$9.7 million through 3Q FY20. Admissions and amusement tax revenue remains very low compared to FY20, with just under \$149,000 received through 3Q, compared to nearly \$565,000 through 3Q FY20. Each of these revenue sources have been adjusted or are recommended for adjustment on an FY21 budget amendment.

Revenue from **Fines & Forfeitures** totaled \$0.7 million for 3Q, compared to \$1.3 million in 3Q FY20. Redlight camera revenue, which makes up the largest portion of this category, declined by 45% compared to last year due to decreased vehicle traffic as a result of the current pandemic. A reduction in redlight camera revenue and associated vendor payments is included on the May budget amendment.

Use of Money & Property revenue totaled \$0.9 million for 3Q, down from \$1.7 million in 3Q FY20 due to low interest rates and resulting investment income.

Charges for Services revenue totaled \$2 million through 3Q, compared with \$5.1 million in FY20. This category includes recreation revenues which have been significantly impacted by the COVID-19 pandemic. Previous budget amendments included reductions accounting for the first half of the fiscal year, and the May amendment will account for 3Q reductions.

Licenses & Permits revenue totaled \$1.8 million, compared to \$2.8 million in FY20, with the variance due to delays in building permit revenue.

Other Revenue totaled \$3.8 million in 3Q, down from \$4 million in FY20 due to a decline in hotel tax revenue related to the COVID-19 pandemic. This revenue source was adjusted on the March budget amendment.

General Fund Expenditures by Category

Total **Personnel** spending totaled \$36.2 million through 3Q, or 71% of the amended personnel budget. Spending on temporary employees is down over \$1 million compared to FY20 due to pandemic-related facility and program closures; a large portion of this savings was recognized on the November and March budget amendments, and additional savings will be recognized on the May budget amendment.

Operating expenditures totaled \$8.4 million through 3Q, or 57% of the total operating budget. This category includes contractual services, utilities, and supplies. The November and March budget amendments accounted for expenditure savings due to facility closures and programming modifications in the first half of the fiscal year, and the May amendment will capture additional reductions.

Capital Outlay expenditures totaled \$536,000 through 3Q. This funding covers one-time equipment purchases including vehicle replacements, and varies from year to year based on needs and replacement schedules.

Other expenditures totaled \$2 million through 3Q, or 79% of the amended total, down slightly from FY20 due to the timing of outside agency payments.

The **CIP Transfer** totaled \$5.1 million through 3Q. This category is expended quarterly based on the amended budget. The March and May budget amendments both increased this transfer.

The **Transfers Out** category totaled \$4.7 million through 3Q. This category is expended quarterly based on the amended budget, and includes transfers to the Parking, Debt Service, Refuse (for RHE refuse bills), and Special Activities funds. The May budget amendment includes an increase in the transfer to the Parking Fund due to the decline in Parking revenue.

WATER FUND

	Current Year (in thousands)				Prior Year (in thousands)		
	FY21	FY21	Actual	%	Actual	Actual	%
	Adp.	Amd.	3/31/21	Amd.	6/30/20	3/31/20	Act.
Total Revenue (\$)	14,565	14,565	11,055	76%	13,931	8,776	63%
<i>Expenses</i>							
Personnel	3,903	3,903	2,787	71%	3,918	2,883	74%
Operating	2,450	2,546	1,459	57%	1,907	1,374	72%
Capital Outlay ¹	380	380	170	45%	117	98	84%
Admin/Other/Interest	5,843	5,843	1,276	22%	5,771	1,349	23%
Total Expenses (\$)	12,576	12,672	5,692	45%	11,713	5,704	49%

The FY21 budget includes no water rate increases. During the first half of FY21 the city performed a study that evaluated the cost of service by property classification. Rate structures consistent with the study's recommendations were included in the proposed budget for FY22.

Since the proposed budget presentation, several property owners have submitted testimony with

questions about how staff determined the rate structure for multifamily properties. In response, the Mayor and Council decided to leave the current rate system in place through the end of 2021. Between now and then, the Mayor and Council will work with staff and the city's consultant to further analyze occupancy and use factors for the multifamily properties. In addition, staff will examine how federal American Rescue Plan funds can be used to provide rate relief in coming years.

SEWER FUND

	Current Year (in thousands)				Prior Year (in thousands)		
	FY21	FY21	Actual	%	Actual	Actual	%
	Adp.	Amd.	3/31/21	Amd.	6/30/20	3/31/20	Act.
Total Revenue (\$)	16,022	16,022	12,350	77%	15,812	9,563	60%
<i>Expenses</i>							
Personnel	1,950	1,950	1,420	73%	1,915	1,401	73%
Operating	3,959	3,988	2,386	60%	3,462	2,258	65%
Capital Outlay ¹	88	373	5	1%	515	515	100%
Admin/Other/Interest	7,517	7,517	1,166	16%	7,491	1,413	19%
Total Expenses (\$)	13,514	13,828	4,977	36%	13,383	5,587	42%

A large portion of Sewer Fund spending occurs in the CIP and goes toward the City's contribution to the Blue Plains Wastewater Treatment Facility.

The FY21 budget includes no sewer rate increases. During the first half of FY21 the city performed a study that evaluated the cost of service by property classification. Rate structures consistent with the study's recommendations were included in the proposed budget for FY22.

Since the proposed budget presentation, several property owners have submitted testimony with questions about how staff determined the rate structure for multifamily properties. In response, the Mayor and Council decided to leave the current rate system in place through the end of 2021. Between now and then, the Mayor and Council will work with staff and the city's consultant to further analyze occupancy and use factors for the multifamily properties. In addition, staff will examine how federal American Rescue Plan funds can be used to provide rate relief in coming years.

REFUSE FUND

	Current Year (in thousands)				Prior Year (in thousands)		
	FY21	FY21	Actual	%	Actual	Actual	%
	Adp.	Amd.	3/31/21	Amd.	6/30/20	3/31/20	Act.
Total Revenue (\$)	6,216	6,216	6,174	99%	6,298	6,224	99%
<i>Expenses</i>							
Personnel	3,235	3,235	2,069	64%	3,072	2,227	73%
Operating	2,019	2,046	1,464	72%	1,859	1,289	69%
Capital Outlay ¹	441	772	81	10%	143	0	0%
Admin/Other/Interest	1,660	1,660	850	51%	1,505	777	52%
Total Expenses (\$)	7,354	7,713	4,464	58%	6,579	4,293	65%

The city's refuse fee is collected through property tax bills, with the majority of the revenue being received in 2Q.

The capital outlay budget includes funding to replace several refuse fleet vehicles, including funds that rolled from vehicles ordered but not delivered in FY20. The city received two of these vehicles in April. These vehicle replacements are essential based on the age and increasing maintenance needs of the fleet.

¹Capital outlay purchases with useful lives of more than five years are capitalized and depreciated in accordance with Generally Accepted Accounting Principles (GAAP). The City's financial statements reflect this adjustment, whereas this report shows the actual expense. As a result, the prior year actuals shown on this report in enterprise funds with qualifying capital purchases will differ from the financial statements in the amount of the cost of any capitalized assets.

SWM FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY21	FY21	Actual	%	Actual	Actual	%
	Adp.	Amd.	3/31/21	Amd.	6/30/20	3/31/20	Act.
Total Revenue (\$)	6,133	6,133	5,178	84%	5,650	5,502	97%
<i>Expenses</i>							
Personnel	2,681	2,681	1,853	69%	2,643	1,945	74%
Operating	879	902	563	62%	673	409	61%
Capital Outlay ¹	94	94	80	85%	1	1	100%
Admin/Other/Interest	1,830	1,830	608	33%	1,723	555	32%
Total Expenses (\$)	5,484	5,506	3,103	56%	5,040	2,910	58%

The city's SWM fee is collected through property tax bills, with the majority of the revenue being received in 2Q. Revenues are lower than 3Q FY20 due to the timing of payments as well as lower fees paid to date related to development activity.

A large portion of SWM Fund spending occurs in the multi-year CIP.

PARKING FUND	Current Year (in thousands)				Prior Year (in thousands)		
	FY21	FY21	Actual	%	Actual	Actual	%
	Adp.	Amd.	3/31/21	Amd.	6/30/20	3/31/20	Act.
Total Revenue (\$)	2,691	2,291	1,730	76%	2,311	1,884	82%
<i>Expenses</i>							
Personnel	307	307	215	70%	281	194	69%
Operating	99	99	32	32%	141	130	92%
Capital Outlay ¹	0	0	0	0%	0	0	0%
Admin/Other/Int.	1,077	1,077	474	44%	3,189	2,417	76%
Total Expenses (\$)	1,483	1,483	721	49%	3,610	2,741	76%

Meter, violation, and fine revenues remain at just over half of their pre-pandemic levels; these revenues were adjusted down by a total of \$400,000 on the March budget amendment. Parking Fund revenue includes a transfer from the General Fund; this transfer totaled \$937,500 through 3Q, up from \$825,000 in FY20. Due to the decline in revenue the May amendment will include an increase in the transfer from the General Fund in order to keep a positive

balance in the Parking Fund at the end of FY21. Staff remains concerned about the financial pressure in the Parking Fund due to changes as a result of the COVID-19 pandemic.

Expenses in FY20 were much higher than FY21 due to costs associated with the 2019B bond refunding, which will save the Parking Fund over \$2.5 million in debt service costs over the remaining life of the bonds.

Capital Improvements Program (CIP) Transfers, All Funds

The City's Financial Management Policies allow the City Manager to approve transfers of unspent project appropriations between capital projects within the same fund. These transfers will always net to zero, as any change in total appropriation by fund must be approved by the Mayor and Council through an appropriations ordinance. Any transfers between projects during the reporting period are shown below.

3Q CIP Transfers	Amount (\$)	Fund	Reason for Transfer
Stream Restoration Spot Repairs: FY21-FY25 (SB21)	93,000	SWM	Urgent repair of Cabin John Parkway gabion wall failure
Stream Restoration Spot Repairs: FY16-FY20 (SE16)	(93,000)		
WTP Raw Water Infrastructure Protection (UA19)	100,000	Water	Additional funding required for stream stabilization and inspection based on final engineering estimate
Commercial Water Meter Replacements (UB21)	(100,000)		

¹Capital outlay purchases with useful lives of more than five years are capitalized and depreciated in accordance with Generally Accepted Accounting Principles (GAAP). The City's financial statements reflect this adjustment, whereas this report shows the actual expense. As a result, the prior year actuals shown on this report in enterprise funds with qualifying capital purchases will differ from the financial statements in the amount of the cost of any capitalized assets.