

Second Quarter FY 2021 Financial Report

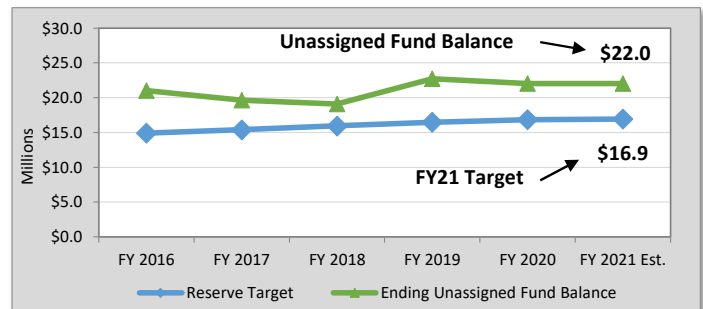
Category	Current Year (in thousands)				Prior Yr. (in thousands)		
	FY21 Adp.	FY21 Amd.	Actual 12/31/20	% Amd.	Actual 6/30/20	Actual 12/31/19	% Act.
Revenue							
Property Taxes	43,816	43,816	30,936	71%	42,552	30,075	71%
From Other Gov't.	21,650	22,043	10,738	49%	23,201	9,833	42%
Fines /Forfeitures	1,583	1,583	545	34%	1,510	870	58%
Use of Money/Property	1,341	1,653	353	21%	2,364	795	34%
Charges for Services	7,405	5,722	1,242	22%	5,472	4,070	74%
Licenses/Permits	3,411	3,411	1,037	30%	3,595	1,746	49%
Other Revenue	5,399	5,430	2,570	47%	5,204	2,776	53%
Total Revenue (\$)	84,605	83,658	47,420	57%	83,896	50,166	60%
Expenditures							
Personnel	51,813	51,532	25,752	50%	51,146	27,254	53%
Operating	15,033	15,168	5,336	35%	13,092	6,682	51%
Capital Outlay	1,722	2,062	375	18%	2,097	979	47%
Other	2,476	2,474	1,365	55%	2,307	1,468	64%
CIP Transfer	6,330	6,312	3,159	50%	9,800	3,400	35%
Transfers Out	6,261	6,261	3,130	50%	6,202	3,101	50%
Total Expenditures (\$)	83,635	83,809	39,117	47%	84,644	42,884	51%

General Fund Summary

The amended budget includes adjustments made on the November budget amendment to recognize 1Q reductions due to ongoing pandemic-related program changes and closures. Additional amendments are planned for March and May. Revenue reductions to date have been offset with expenditure reductions or with other revenue increases. For example, the city received \$1 million in federal aid related to the pandemic during 2Q.

General Fund Unassigned Fund Balance

The FY21 unassigned fund balance equals \$22 million, which is \$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. A portion of this funding (\$280,000) was used to fund the employee leave buyback program on the November budget amendment. The remaining \$690,000, along with \$1.6 million in unassigned fund balance will be used on the March budget amendment to offset the increased transfers to the Parking and Capital Projects Funds.



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 2Q	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)
FY21 Contingency Remaining (\$)*	233,000

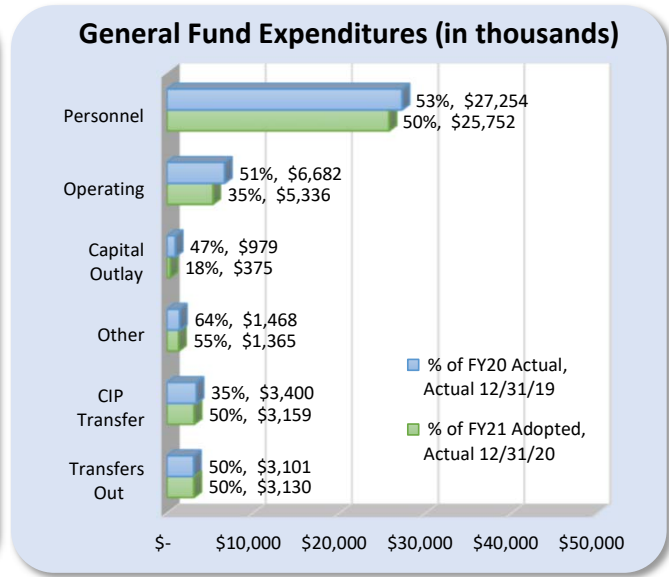
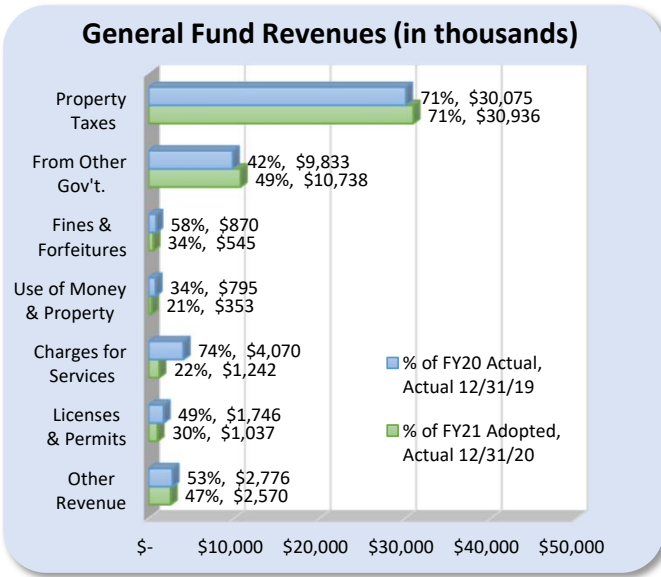
*In addition to the uses above, \$81,075 has been utilized to date in 3Q for recruitment, emergency repairs, and security enhancements, bringing the remaining balance to \$151,925.

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	2Q Only	YTD FY21
Gross unspent funds from vacancies	600,342	1,068,509
Vacancy-related (costs)/savings	(515,424)	(750,326)
Net Unspent Funds	84,918	318,183
<i>Uses of Net Unspent Funds</i>		
Employee leave buyback	(53,000)	(53,000)
Net Unspent Funds Remaining (\$)*	31,918	265,183

*Unspent personnel funds will be needed in 3Q to fund snow and ice removal in excess of the adopted budget.



General Fund Revenues by Category

Property Taxes totaled \$30.9 million for 2Q, or 71% of the adopted target, in line with 2Q FY20.

Revenue **From Other Governments** totaled \$10.7 million for 2Q, compared to \$9.8 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 \$6.6 million through 2Q FY21, compared to \$6 million through 2Q FY20. This revenue source remains on target despite the pandemic, but admissions and amusement tax revenue does not, with just under \$73,000 received through 2Q, compared to over \$313,000 through 2Q FY20. This revenue source will be adjusted on the March budget amendment, which will also recognize the federal aid reimbursement.

Revenue from **Fines & Forfeitures** totaled \$0.5 million for 2Q, compared to \$0.9 million in 2Q FY20. Redlight camera revenue, which makes up the largest portion of this category, declined by 40% compared to last year due to decreased vehicle traffic as a result of the current pandemic.

Use of Money & Property revenue totaled \$353,000 for 2Q, down from \$0.8 million in 2Q FY20. About one-third of this decrease is due to low interest rates and resulting investment income. The remainder of the decrease is due to the timing of the County's payment for the lease of space at 6 Taft Ct., which was received in 2Q FY20 but is expected later in FY21.

Charges for Services revenue totaled approximately \$1.2 million through 2Q, compared with \$4.1 in FY20. This category includes recreation revenues which have been significantly impacted by the COVID-19 pandemic. The November budget amendment included reductions accounting for 1Q, and the March amendment will account for 2Q reductions.

Licenses & Permits revenue totaled just over \$1 million, compared to \$1.7 million in FY20, with the variance due to building permit revenue. Staff anticipate larger permitting fees in 4Q based on the timing of current projects.

Other Revenue totaled \$2.6 million in 2Q, down from \$2.8 million in FY20 due to a decline in hotel tax revenue. Hotel tax receipts totaled approximately \$136,000 through 2Q FY21, compared to \$429,000 in FY20. Estimates for this revenue source will be adjusted downward on the March budget amendment.

General Fund Expenditures by Category

Total **Personnel** spending totaled \$25.8 million through 2Q, or 50% of the amended personnel budget. Spending on temporary employees and overtime was 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 budget amendment, and additional savings will be recognized on the March budget amendment.

Operating expenditures totaled \$5.3 million through 2Q, or 35% of the total operating budget. This category includes contractual services, utilities, and supplies. The November budget amendment captured reductions in this category accounting for 1Q expenditure savings due to facility closures and programming modifications, and the March amendment will capture additional reductions.

Capital Outlay expenditures totaled \$375,000 through 2Q. 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 \$1.4 million through 2Q, down from \$1.5 million in FY20 due to the timing of outside agency payments.

The **CIP Transfer** totaled \$3.2 million through 2Q. This category is expended quarterly based on the amended budget.

The **Transfers Out** category totaled \$3.1 million through 2Q. 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.

WATER FUND

	Current Year (in thousands)				Prior Year (in thousands)		
	FY21	FY21	Actual	%	Actual	Actual	%
	Adp.	Amd.	12/31/20	Amd.	6/30/20	12/31/19	Act.
Total Revenue (\$)	14,565	14,565	5,591	38%	13,931	5,564	40%
<i>Expenses</i>							
Personnel	3,903	3,903	1,924	49%	3,918	2,028	52%
Operating	2,450	2,546	903	35%	1,907	850	45%
Capital Outlay ¹	380	380	62	16%	117	61	52%
Admin/Other/Interest	5,843	5,843	947	16%	5,771	1,018	18%
Total Expenses (\$)	12,576	12,672	3,836	30%	11,713	3,956	34%

Water Fund revenue appears low until the end of the year due to the timing of the receipt of quarterly bill payments. The FY21 budget includes no water rate increases, which is a change from the plan originally adopted by the Mayor and Council in May 2018 to bring the Water Fund into compliance with the city's Financial Management Policies. During the first half of FY21 the city performed a study that evaluated the cost of service by property classification, and the results of this study were presented at the January 25, 2021 council meeting. Staff recommends that the proposed water and sewer rates and rate structures be put into place starting in January 2022. The proposed rates will bring the Water Fund into compliance by the end of FY 2024.

SEWER FUND

	Current Year (in thousands)				Prior Year (in thousands)		
	FY21	FY21	Actual	%	Actual	Actual	%
	Adp.	Amd.	12/31/20	Amd.	6/30/20	12/31/19	Act.
Total Revenue (\$)	16,022	16,022	7,365	46%	15,812	5,710	36%
<i>Expenses</i>							
Personnel	1,950	1,950	992	51%	1,915	983	51%
Operating	3,959	3,988	1,742	44%	3,462	1,436	41%
Capital Outlay ¹	88	373	5	1%	515	364	71%
Admin/Other/Interest	7,517	7,517	914	12%	7,491	1,145	15%
Total Expenses (\$)	13,514	13,828	3,653	26%	13,383	3,929	29%

Sewer Fund revenue appears low until the end of the year due to the timing of the receipt of quarterly bill payments. 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, which is a change from the plan originally adopted by the Mayor and Council in May 2018 to bring the Sewer Fund into compliance with the city's Financial Management Policies. During the first half of FY21 the city performed a study that evaluated the cost of service by property classification, and the results of this study were presented at the January 25, 2021 council meeting. Staff recommends that the proposed water and sewer rates and rate structures be put into place starting in January 2022. The proposed rates will bring the Sewer Fund into compliance by the end of FY 2023.

REFUSE FUND

	Current Year (in thousands)				Prior Year (in thousands)		
	FY21	FY21	Actual	%	Actual	Actual	%
	Adp.	Amd.	12/31/20	Amd.	6/30/20	12/31/19	Act.
Total Revenue (\$)	6,216	6,216	3,693	59%	6,298	3,636	58%
<i>Expenses</i>							
Personnel	3,235	3,235	1,458	45%	3,072	1,548	50%
Operating	2,019	2,046	862	42%	1,859	838	45%
Capital Outlay ¹	441	772	81	10%	143	0	0%
Admin/Other/Interest	1,660	1,660	570	34%	1,505	522	35%
Total Expenses (\$)	7,354	7,713	2,971	39%	6,579	2,908	44%

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. These vehicle replacements are essential based on the age and increasing maintenance needs of the fleet. The city's current recycling processing contract ends in April 2021. Staff is currently reviewing options for this service, but based on market conditions costs could increase significantly. This increase has been factored in to the FY22 proposed budget.

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.	12/31/20	Amd.	6/30/20	12/31/19	Act.
Total Revenue (\$)	6,133	6,133	4,177	68%	5,650	4,405	78%
<i>Expenses</i>							
Personnel	2,681	2,681	1,346	50%	2,643	1,374	52%
Operating	879	902	292	32%	673	288	43%
Capital Outlay ¹	94	94	80	85%	1	1	86%
Admin/Other/Interest	1,830	1,830	412	22%	1,723	374	22%
Total Expenses (\$)	5,484	5,506	2,129	39%	5,040	2,037	40%

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 2Q FY20 due to the timing of utility 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.	12/31/20	Amd.	6/30/20	12/31/19	Act.
Total Revenue (\$)	2,691	2,691	1,326	49%	2,311	1,440	62%
<i>Expenses</i>							
Personnel	307	307	160	52%	281	136	48%
Operating	99	99	19	19%	141	74	53%
Capital Outlay ¹	0	0	0	0%	0	0	0%
Admin/Other/Int.	1,077	1,077	452	42%	3,189	2,396	75%
Total Expenses (\$)	1,483	1,483	631	43%	3,610	2,605	72%

Meter, violation, and fine revenue through 2Q totaled approximately \$205,000, or 55% of what was received through 2Q FY20. Parking Fund revenue includes a transfer from the General Fund; this transfer totaled \$625,000 through 2Q, up from \$550,000 in FY20. Due to the decline in revenue the March amendment will include an additional \$400,000 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 included 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.

2Q CIP Transfers	Amount (\$)	Fund	Reason for Transfer
Sidewalks: FY21-FY26 (TE21)	115,000	Capital Projects	Move design funding for delayed portion of project to new Sidewalks project to allow older project to close when current work is completed.
Sidewalks: FY16-FY20 (TF16)	(115,000)		
SWM Facilities Improvement (SC21)	428,600	Stormwater Management	Transfer savings from finished projects to cover additional funds required for Mt. Vernon SWM facility.
Storm Drain Rehab & Improvement (SA16)	(350,000)		
SWM Facilities Improvement (SE16)	(78,600)		

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