

Memorandum

To: Members of the Boards of Finance and Representatives

From: Jay Fountain, Interim Director of OPM

Date: February 1, 2016

Re: FY2015-16 Second Quarter Projection

Attached is an overview of the general fund's revenue and expenditures year to date actuals along with first quarter projections. As of the end of the second quarter of 2015-16 the Office of Policy and Management is projecting an estimated year end net shortfall of \$2,872,465. Steps are continuing to be taken to eliminate this shortfall including the holding open of vacant positions, monitoring overtime, and enhancement of revenues.

Overall, general fund revenues are projected to be below budget by \$3,110,243. This is primarily due to shortages in current levy revenue, decreases in state funding, and a reduction in the amount of revenue expected from the Parking Fund. On the expenditure side, we are anticipating the use of contingency to offset projected expenditures in excess of budget in the Office of Operations, the Office of Public Safety Health & Welfare, debt service, and the Board of Education. In total expenditures, including contingency, are estimated to be \$237,778 less than budget.

REVENUES:

Based upon an analysis of prior year collection rates, it is anticipated the City will collect an estimated 99.5% of its current levy budget plus reserves for contingency of \$467,712,959 which is net of reserve for uncollected. The projection for FY16 based on this rate of collection, would mean the City would collect \$465,605,561, which is \$2,107,398 less than budgeted. Other property tax revenue line items, including prior year collections, are assumed to be on budget, as sufficient information is not readily available to project otherwise.

Given better investment experience than expected, we are estimating additional revenue of \$250,000 in interest income.

In intergovernmental revenue, there is a projected shortfall in state funding totaling \$611,451. This amount is due to a state cut in municipal aid totaling \$15 million of which the City was affected with a reduction in Pilot for State Owned property for \$359,411. In addition, Pilot 135, which is a government funded payment in lieu of taxes for moderate income rentals, is not expected to be received in FY15/16. This is causing a shortfall of \$237,929 to intergovernmental revenue.

Within departmental revenue, building permits were budgeted at \$6.25 million. With recent activity we are now anticipating that building permits will meet anticipated budgeted revenue. We are seeing an increase in bulky waste revenue due to a private station closing in the surrounding area which will result in an additional \$339,700 in revenue over that budgeted for this year. Several programs are expected to be under budget including youth programs \$45,000, health restaurant licenses \$92,000, and exam filing fees for police and fire of \$41,500.

Other revenue, which is anticipated to be \$264,765 under budget includes: sale of surplus property (\$120,000), recycling mixed metals (\$106,500), and other miscellaneous revenue (\$50,000).

Considering the improvements that have been and are now being instituted it is anticipated this year the Parking Fund will have a projection shortfall of \$657,897 million dollars from what was anticipated in the general fund..

EXPENDITURES:

Overall we are anticipating expenditures to come in within budget with a surplus of \$237,778. This amount is possible by assuming the use of contingency funds to offset shortfalls within various departments. Citywide, increases in overtime, seasonal and other salary costs were offset by the delay of the hiring of many vacant positions, allowing for a savings of \$1.7 million in salary and FICA. Additionally, vehicle maintenance expenses are estimated to exceed budget by over \$280,000, a trend we have been seeing over some period of time.

The transfer station is projecting a \$175,000 shortfall in haulaway/garbage in part due to an increase in garbage being received due to a private company closing in the area which is contributing to bulky waste revenue being projected to be \$339,700 over budget. The transfer station also has an increase in their water expense due to a new meter being installed (which is now properly tracking water usage) as well as the additional cost incurred due to a number of water leaks discovered underground that are now resolved.

The police department overall is expected to go over budget by \$643,681. Although overtime is projected to run over by \$1,018,805, salary savings has been identified as a partial offset. Overall, the department is seeing higher than anticipated costs in permanent part time and seasonal help, as well as cost associated with recruitment, hiring, and retirements.

At this time, we are keeping with our estimates for the full year operating loss at The Smith House of \$6.2 million. We believe it is too soon to know the full-year expense which will be heavily dependent on the number of employees who retire and the termination costs including payment of accrued vacation and sick leave balances.

In Debt Service, although we budgeted conservatively, we issued \$65 million in bonds versus the originally anticipated amount of \$60 million in order to take advantage of lower interest rates as well as to fund the increase costs of building a new police department. The additional cost in the current year is \$355,478.

The Board of Education is now projecting an estimated surplus of \$85,000. The details regarding this are included as an attachment with this memo.

Cc: Mayor David Martin

Michael Handler, Director of Administration