



**To:** Board of Finance & Board of Representatives  
**From:** Elda Sinani, OPM Director  
**Date:** June 7, 2023  
**Re:** FY 2022-2023 Third Qtr. Fiscal Projection

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Attached for your review is a summary of revenue and expenditure projections for the current fiscal year (FY 22-23) which is based on three quarters of actual data.

**OVERALL Q3 PROJECTION RESULTS:**

I am pleased to report that the projection indicates a positive budget variance. The total estimates for Q3 reflect an estimated \$3,692,189 surplus at year end (these amounts include full use of contingency and BOE's projection of a flat budget.) While OPM is reporting a surplus compared to budget of \$3.7mil, we will continue to work closely with the Tax Department to monitor the collection of Current Levy to ensure taxes are coming in as projected as well as with the Town Clerk's office to monitor Conveyance Tax. On the expenditure side, we feel comfortable that utility projections are secure through year-end, but we will continue to monitor departments for spending outside of their budget and/or current projections.

The following analysis compares the third quarter projection to the revised budget.

**REVENUE VARIANCES:**

The total estimated surplus in revenue of \$3,015,099 for the third Qtr. This surplus is mainly from net tax levy (current levy) and interest income. Collections of net tax levy (or current levy) is projected to exceed budget by \$1,093,860. According to the Tax Collector, there has been better than expected collection activity to date and therefore is estimating a slightly higher collection rate than budgeted. In addition, the city is anticipating receiving additional interest income of \$3,181,000 from an original budget of \$565,000. This spike in actuals is due to the Federal Reserve and Central Banks raising interest rates<sup>1</sup> seven times over the last year, taking interest rates from less than 1.0% to about 5.25%. Thus, the City's portfolio has benefited from this change.

Conveyance Tax is coming in much lower than originally estimated which was (\$7mil). Currently, it is expected that Conveyance Tax will not be any higher than \$5mil, leaving a potential shortfall of at least \$2mil barring any large sales that might come in.

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<sup>1</sup> Inflation and Federal Interest Rates: For almost a year now, rapidly rising prices and the Federal Reserve's policy response to that phenomenon have dominated the headlines. Inflation at the consumer level began its upward slope as the nation began to emerge from the pandemic-induced recession, reaching 1.9 percent in April 2023. The federal funds rate currently stands at a range of 5.00 percent to 5.25 percent and it is expected that the Federal Reserve will continue to raise short-term interest rates in a bid to slow economic growth to dampen inflation. It is yet to be seen whether such actions will be successful in stemming the inflationary tide and/or potentially inducing an economic contraction.



**EXPENDITURE VARIANCES:**

On the expenditure side, we are projecting City operating expenditures to be \$677,090 less than budgeted. This surplus is down \$2.3mil from the second quarter where we had a projected surplus of \$1,417,676. This is mainly due to increases in overtime assumptions net of vacancy savings of around \$300k, increases the amount of garbage that is being collected and hauled away (\$433k), and the increased cost to grant Juneteenth day as a holiday (\$494k).

The Office of Administration is projecting a shortfall of (\$335,109) related to unexpected contract work, increased payroll expenses, bank fees and the cost of postage.

The Office of Public Safety during Q2 projected a \$66k surplus. In the third quarter, this number increased to \$191,980.

The Office of Operations is estimated to be (\$572,041) over budget due to an increase in the cost of utilities including electricity, water, natural gas, and fuel (\$601k). Additionally, the office of Operations is seeing increased costs related to building maintenance (\$148k), and higher than anticipated overtime costs associated with leaf collection (\$188k).

City expenditures for non-operating items related to employee benefits are expected to have a surplus of \$251,482, related to savings from employees not taking advantage of retirement benefits afforded to them.

BOE and BOE City support are currently projecting their projection to come in on budget which is attributed to vacancy savings.

Revenue		FY 22/23										
Code	Account Title	Adopted Budget	Adj	Revised Budget	YTD Rev	YTD Enc	YTD Rev & Enc		Available Balance	Q3 Projection	Variance to Revised	
29	Current Levy	568,906,140	0	568,906,140	501,874,572	0	501,874,572	88.2%	67,031,568	570,000,000	1,093,860	0.2%
30	Property Taxes	12,663,519	0	12,663,519	9,097,639	0	9,097,639	71.8%	3,565,880	12,724,946	61,427	0.5%
32	Revenues From The Use of	565,000	0	565,000	4,021,101	0	4,021,101	711.7%	-3,456,101	3,746,000	3,181,000	563.0%
33	Intergovernmental Revenue	22,678,442	0	22,678,442	19,462,818	0	19,462,818	85.8%	3,215,624	23,026,481	348,039	1.5%
34	Departmental Revenue	22,877,700	75,000	22,952,700	15,283,406	0	15,283,406	66.6%	7,669,294	21,043,519	-1,909,181	-8.3%
36	Other Revenue	1,305,243	0	1,305,243	971,309	0	971,309	74.4%	333,934	1,545,197	239,954	18.4%
38	Interfund Transfers	2,063,546	0	2,063,546	0	0	0	0.0%	2,063,546	2,063,546	0	0.0%
39	Use of Other Funds	0	6,083,058	6,083,058	0	0	0	0.0%	6,083,058	6,083,058	0	0.0%
<b>Total Revenue</b>		<b>631,059,590</b>	<b>6,158,058</b>	<b>637,217,648</b>	<b>550,710,844</b>	<b>0</b>	<b>550,710,844</b>	<b>87.3%</b>	<b>86,506,804</b>	<b>640,232,747</b>	<b>3,015,099</b>	<b>0.5%</b>
Expense		FY 22/23										
Code	Account Title	Adopted Budget	Adj	Revised Budget	YTD Exp	YTD Enc	YTD Exp & Enc		Available Balance	Q3 Projection	Variance to Revised	
7	Contingency	5,000,000	-1,821,083	3,178,917	0	0	0	0.0%	3,178,917	3,178,917	0	0.0%
		<b>5,000,000</b>	<b>-1,821,083</b>	<b>3,178,917</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.0%</b>	<b>3,178,917</b>	<b>3,178,917</b>	<b>0</b>	<b>0.0%</b>
1	Administration	8,010,915	933,443	8,944,358	7,394,554	708,117	8,103,021	90.6%	841,337	9,279,467	-335,109	-3.7%
10	Office of Data & Information	3,504,912	55,298	3,560,210	2,307,746	119,194	2,891,393	81.2%	668,817	3,137,058	423,152	11.9%
2	Operations	47,348,861	2,138,650	49,487,511	38,244,351	3,072,317	41,387,710	83.6%	8,099,800	50,059,552	-572,041	-1.2%
3	Public Safety, Health & Welfare	95,123,515	756,747	95,880,262	77,954,468	1,453,163	79,417,246	82.8%	16,463,016	95,688,282	191,980	0.2%
4	Legal Affairs	5,964,561	1,850	5,966,411	4,314,955	146,167	4,461,121	74.8%	1,505,289	5,745,651	220,760	3.7%
5	Government Services	5,941,608	22,348	5,963,956	4,701,873	168,137	4,870,440	81.7%	1,093,515	5,846,947	117,009	2.0%
8	Office of Benefits & Insurance	87,098,207	961,915	88,060,122	90,128,477	10,615	90,139,093	102.4%	-2,078,971	87,808,640	251,482	0.3%
9	Community Grants	14,032,463	36,632	14,069,095	12,146,474	110	12,146,584	86.3%	1,922,511	14,069,095	0	0.0%
<b>Sub-Total Operating</b>		<b>272,025,042</b>	<b>3,085,800</b>	<b>275,110,842</b>	<b>237,192,899</b>	<b>5,677,820</b>	<b>243,416,609</b>	<b>89.5%</b>	<b>31,694,232</b>	<b>274,813,609</b>	<b>297,232</b>	<b>0.1%</b>
12	Debt Service	52,688,216	0	52,688,216	85,324,512	0	85,324,512	161.9%	-32,636,296	52,308,359	379,857	0.7%
<b>Total Debt Service</b>		<b>324,713,258</b>	<b>3,085,800</b>	<b>327,799,058</b>	<b>322,517,411</b>	<b>5,677,820</b>	<b>328,741,122</b>	<b>101.2%</b>	<b>-942,064</b>	<b>327,121,968</b>	<b>677,089</b>	<b>0.2%</b>
13	Board of Education	306,346,332	3,072,258	309,418,590	215,745,954	10,737,359	226,483,313	73.2%	82,935,277	309,418,590	0	0.0%
<b>Total Budget Submission</b>		<b>631,059,590</b>	<b>6,158,058</b>	<b>637,217,648</b>	<b>538,263,365</b>	<b>16,415,179</b>	<b>555,224,435</b>	<b>88.0%</b>	<b>81,993,213</b>	<b>636,540,558</b>	<b>677,090</b>	<b>0.1%</b>
<b>Net Surplus/(Shortfall)</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>12,447,479</b>	<b>-16,415,179</b>	<b>-4,513,591</b>		<b>4,513,591</b>	<b>3,692,189</b>	<b>3,692,189</b>	