



City of Gainesville

Budget & Finance Department

To: Lee R. Feldman, ICMA-MA, City Manager

Via: Fred Murry, Assistant City Manager *Fredrick J Murry*
Fredrick J Murry (May 12, 2021 08:38 EDT)

From: Cintya Ramos, Finance Director *CR*

Date: May 11, 2021

RE: Fiscal Year 2021 Second Quarter Analysis of Budget Compared to Actual Revenues and Expenditures for the Period Beginning October 1, 2020 and Ending March 31, 2021 with Projections Through September 30, 2021

The purpose of this summary is to provide the Mayor and City Commission, City community builders and our neighbors, an update on the status of the FY 2021 budget relative to actual revenue and expenditures through the second quarter of the fiscal year and operating projections through September 30, 2021.

GENERAL FUND OVERVIEW

The General Fund accounts for those resources and their uses traditionally associated with government, which are not required to be budgeted and accounted for in another fund. The General Fund is the City's only major fund.

An analysis of the General Fund actual six-month operating revenues and expenditures for the period October 1, 2020 through March 31, 2021 indicates an estimated General Fund operating budget will have a surplus of \$6.9 million primarily driven by a reduction on the Total Rewards Study Non-Departmental Expense of \$3.92 million and savings from the Pension Obligation Bond issued in Fiscal Year 2020.

GENERAL FUND SUMMARY						
	FY 2021 Amended Budget (April 15, 2021)	FY 2021 Q2 Actual	FY 2021 Q2 Actual as % of Amended Budget	FY 2021 Year End Projection	Year-end Projection vs. Amended Budget Variance (\$)	Year-end Projection vs. Amended Budget Variance (%)
Revenues	146,037,585	85,757,999	58.7%	144,776,010	(1,261,575)	-0.9%
Expenditures	146,037,585	67,349,444	46.1%	137,899,548	(8,138,037)	-5.6%
Projected Surplus / (Deficit)	0	18,408,555		6,876,462		

The first six months of any fiscal year are not a definitive indication of the experience for the remainder of the fiscal year, but do however, provide a better glance at identifying any potential issues compared to the first quarter of any fiscal year. Certain assumptions for both revenues and expenditures (such as seasonality)

have been made in the year-end projections, as well as a projected impact of COVID-19 on the City's revenue receipts and costs of operation. Our continued efforts toward managing the City's resources and ongoing adjustments to line item revenues and expenditures throughout the year will impact projections as we look ahead towards the end of the fiscal year.

General Fund Operating Revenues

As of the end of the second quarter of FY 2021, \$85.7 million or 58.7% of budgeted revenues have been collected. Property Tax revenues represent 26.4% of total budgeted revenues and represent 41.8% of the revenues received in the second quarter of the fiscal year. As of the end of the second quarter, 92.8% of the budgeted property tax has been received and this is due to a greater percentage of ad valorem taxes that are typically collected during the first quarter of any given fiscal year and the majority of property tax revenue collected by the end of the second quarter. Total revenues through fiscal year-end are projected to be 0.9% lower than the amended budget at approximately \$144.8 million.

GENERAL FUND								
Revenues	FY 2020 Actual (Unaudited)	FY 2021 Amended Budget (April 15, 2021)	FY 2020 Q2 Actual	FY 2021 Q2 Actual	FY 2021 Q2 Actual as % of Amended Budget	FY 2021 Year End Projection	Year-end Projection vs. Amended Budget Variance (\$)	Year-end Projection vs. Amended Budget Variance (%)
Property Taxes	36,581,736	38,619,660	34,005,136	35,836,965	92.8%	38,619,660	0	0.0%
Other Taxes	19,665,255	20,282,963	6,406,666	8,130,457	40.1%	18,113,267	(2,169,696)	-10.7%
Licenses and Permits	8,727,090	9,159,715	99,564	106,941	1.2%	9,679,486	519,771	5.7%
Intergovernmental	13,672,637	13,125,717	5,870,842	5,642,131	43.0%	14,339,491	1,213,774	9.2%
Charges For Services	11,910,115	14,236,612	8,649,856	9,507,601	66.8%	13,626,944	(609,668)	-4.3%
Fines and Forfeitures	989,814	888,340	166,232	201,753	22.7%	892,616	4,276	0.5%
Miscellaneous Revenues	1,656,057	1,338,358	10,080,757	8,823,105	659.2%	1,118,326	(220,032)	-16.4%
Transfers In	1,930,144	2,477,007	0	1,556,963	62.9%	2,477,007	0	0.0%
General Fund Transfer	38,285,013	38,285,013	15,952,083	15,952,083	41.7%	38,285,013	0	0.0%
Use of Fund Balance	0	7,624,200	0	0	0.0%	7,624,200	0	0.0%
TOTAL REVENUES	133,417,861	146,037,585	81,231,134	85,757,999	58.7%	144,776,010	(1,261,575)	-0.9%

Significant variances to the amended budget in excess of 10%, or \$250,000, by revenue category, are explained below:

- **Other Taxes** – This category includes revenues from Local Option Gas Tax, Utility Service Taxes, Communications Service Tax, Business Tax and Payments in Lieu of Taxes. The reduction in year-end projection of \$2.2 million is primarily driven by lower than expected revenue receipts in Utility Tax (\$1.9 million).
- **Licenses and Permits** – This category includes revenues from the fire assessments, home occupational permits, landlord licensing fees, taxi licenses and other miscellaneous permits. The increase in year-end projection of \$519,771 is driven by higher than expected fire assessment revenue receipts.

- **Intergovernmental** – This category includes revenues from State Revenue sharing, mobile home and beverage licenses, half cent sales tax, Federal Department of Transportation and MTPO revenues, Automatic Aid agreement revenues, and insurance tax. The increase in year-end projection of \$1.2 million is driven by higher than expected Half cent sales tax receipts that were originally budgeted conservatively due to potential negative COVID-19 impact.
- **Charges for Services** – This category includes revenues for indirect services, recreation activities, golf course, parking fees, cemetery fees, school resource officer agreements, fire inspection fees, among others. The decrease in year-end projection of \$609,668 is driven by:
 - Lower than expected revenue receipts in law enforcement services (\$334,725)
 - Lower than expected revenue receipts in pool, recreation and playground fees (\$241,190)
 - Lower than expected revenue receipts of miscellaneous traffic engineering projects (\$110,800)
- **Miscellaneous Revenues** – This category includes revenues for interest earnings, rental of city property, rebates on gas tax, and other miscellaneous revenues. The decrease in year-end projection of \$220,032 is driven by lower than expected interest earnings.

General Fund Operating Expenditures

As of March 31, 2021, actual General Fund expenses were \$67.3 million or 46.1% of the amended budget and below the 50% mid-year threshold. Year-end projections through September 30, 2021, indicate that citywide expenditures will be 5.6% below the amended budget at \$137.9 million.

Departments projected to exceed budget, or with significant variances to budget in excess of 10%, or \$250,000, are driven by the Pension Obligation Bond 2020 annual required contributions reductions in individual department budgets. The debt service for the Pension Obligation Bond is now budgeted for as debt-service in Non-Departmental. Additionally, not all the Total Rewards Study budgeted amounts are expected to be spent in FY 2021 as reflected in the Non-Departmental projected year-end budget.

The following table provides the General Fund expenditures detail by department and year over year trend comparisons.

GENERAL FUND								
Expenditures by Department	FY 2020 Actual (Unaudited)	FY 2021 Amended Budget (April 15, 2021)	FY 2020 Q2 Actual	FY 2021 Q2 Actual	FY 2021 Q2 Actual as % of Amended Budget	FY 2021 Year End Projection	Year-end Projection vs. Amended Budget Variance (\$)	Year-end Projection vs. Amended Budget Variance (%)
Budget & Finance	3,779,903	3,839,582	1,936,868	1,527,813	39.8%	3,558,814	(280,768)	-7.3%
Capital Asset Planning & Economic Resilience	N/A	403,716	N/A	169,900	42.1%	403,716	0	0.0%
City Attorney	1,506,171	1,622,075	717,778	675,079	41.6%	1,447,884	(174,191)	-10.7%
City Auditor	595,480	863,127	255,583	393,784	45.6%	831,793	(31,334)	-3.6%

GENERAL FUND (continued)

Expenditures by Department	FY 2020 Actual (Unaudited)	FY 2021 Amended Budget (April 15, 2021)	FY 2020 Q2 Actual	FY 2021 Q2 Actual	FY 2021 Q2 Actual as % of Amended Budget	FY 2021 Year End Projection	Year-end Projection vs. Amended Budget Variance (\$)	Year-end Projection vs. Amended Budget Variance (%)
City Clerk	1,245,663	1,431,250	566,588	561,326	39.2%	1,431,250	0	0.0%
City Commission	429,385	466,423	207,238	198,812	42.6%	439,655	(26,768)	-5.7%
City Manager	1,403,167	1,414,459	678,378	612,662	43.3%	1,377,728	(36,731)	-2.6%
Combined Communications Center	3,637,663	5,925,360	(259,995)	(929,345)	-15.7%	5,925,360	0	0.0%
Communications & Engagement	842,043	1,107,729	351,392	413,700	37.3%	1,009,766	(97,963)	-8.8%
Equity & Inclusion	902,955	1,629,556	338,661	411,339	25.2%	1,308,187	(321,369)	-19.7%
Facilities Management	3,096,364	3,101,802	1,473,834	1,291,506	41.6%	2,976,802	(125,000)	-4.0%
Fire Rescue	20,168,609	19,946,546	10,016,507	9,218,107	46.2%	19,946,546	0	0.0%
Housing and Community Development	1,283,404	664,697	687,508	150,953	22.7%	495,719	(168,978)	-25.4%
Human Resources	2,239,531	2,804,090	1,120,848	1,044,413	37.2%	2,423,803	(380,287)	-13.6%
Parks, Recreation & Cultural Affairs	10,729,755	12,943,980	5,278,853	5,041,372	38.9%	12,349,980	(594,000)	-4.6%
Police	38,056,357	36,261,613	19,198,298	16,601,450	45.8%	36,261,613	0	0.0%
Public Works	8,894,759	10,278,718	2,823,601	3,528,374	34.3%	10,003,718	(275,000)	-2.7%
Risk Management	8,241	201,412	4,089	1,378	0.7%	198,900	(2,512)	-1.2%
Strategic Initiatives	1,163,663	1,296,788	519,092	462,124	35.6%	1,053,575	(243,213)	-18.8%
Sustainable Development	1,629,702	4,004,455	783,278	1,312,560	32.8%	3,304,010	(700,445)	-17.5%
Technology & Innovation	N/A	3,573,872	N/A	2,119,138	59.3%	3,264,393	(309,479)	-8.7%
Transportation & Mobility	2,954,712	3,893,967	1,322,546	1,311,087	33.7%	3,443,967	(450,000)	-11.6%
Non-Departmental	29,633,160	28,362,369	297,665	21,231,909	74.9%	24,442,369	(3,920,000)	-13.8%
TOTAL EXPENDITURES	134,200,689	146,037,585	48,318,610	67,349,444	46.1%	137,899,548	(8,138,037)	-5.6%

Staff continues to monitor receipt of the American Rescue Plan Act of 2021 City allocation of \$32,408,804 in Coronavirus State and Local Fiscal Recovery Funds (Recovery Funds) from the Federal Government. The United States Treasury Department has released guidance on allowable expenditures and the proposed use of funds will be discussed in more detail at the May 13, 2021 General Policy Committee meeting.

SPECIAL REVENUE FUND OVERVIEW

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are restricted to expenditures for specific purposes. This includes grant funds such as Community Development Block Grant, trust funds such as the Gainesville Reinvestment Area, and other miscellaneous restricted revenues such as the State & Federal Law Enforcement Contraband Forfeiture.

An analysis of the Special Revenue Fund actual six-month operating revenues and expenditures for the period October 1, 2020 through March 31, 2021 indicates the Special Revenue Fund revenue is projected to end the fiscal year 38.3% below the amended budget primarily due to lower than expected use of fund balance projections. Expenditures are projected to also come in lower than amended budget due to the timing of expenditures shifting out past the end of FY 2021.

The following table provides the Special Revenue Fund revenue and expenditures details and year over year trend comparisons.

SPECIAL REVENUE FUND								
Revenues	FY 2020 Actual (Unaudited)	FY 2021 Amended Budget (April 15, 2021)	FY 2020 Q2 Actual	FY 2021 Q2 Actual	FY 2021 Q2 Actual as % of Amended Budget	FY 2021 Year-End Projection	Year-end Projection vs. Amended Budget Variance (\$)	Year-end Projection vs. Amended Budget Variance (%)
Taxes	4,191,460	0	4,191,460	0	0.0%	0	0	0.0%
Intergovernmental	6,065,870	7,291,827	219,490	7,506,806	102.9%	7,506,806	214,979	2.9%
Charges For Services	3,171,458	2,151,661	1,696,700	1,531,877	71.2%	1,700,000	(451,661)	-21.0%
Fines and Forfeitures	269,899	40,000	39,452	104,374	260.9%	104,374	64,374	160.9%
Miscellaneous Revenues	4,831,901	438,981	2,272,223	3,609,145	822.2%	3,609,145	3,170,164	722.2%
Transfers	11,083,352	6,277,966	514,414	5,689,286	90.6%	6,277,966	0	0.0%
Use of Fund Balance	0	34,961,782	0	0	0.0%	12,392,355	(22,569,427)	-64.6%
TOTAL REVENUES	29,613,940	51,162,217	8,933,739	18,441,488	36.0%	31,590,646	(19,571,571)	-38.3%
Expenditures								
Personnel Services	5,340,397	5,415,777	2,554,774	2,042,884	37.7%	5,415,777	0	0.0%
Operating Expenses	8,685,528	25,117,849	4,669,464	4,026,211	16.0%	8,052,442	(17,065,407)	-67.9%
Capital Outlay	1,118,718	8,704,020	517,869	835,182	9.6%	3,200,000	(5,504,020)	-63.2%
Debt Service	43,838	233,637	49,561	0	0.0%	233,637	0	0.0%
Non-Operating	5,612,771	11,690,934	95,289	1,285,284	11.0%	11,690,934	0	0.0%
TOTAL EXPENDITURES	20,801,253	51,162,217	7,886,956	8,189,561	16.0%	28,592,790	(22,569,427)	-44.1%

Revenues projected to exceed budget, or with significant variances to budget in excess of 10%, or \$250,000, are due to:

- Charges for Services – decrease in revenue receipts of Transportation Concurrency funds originally budgeted for in FY 2021 now expected in FY 2022.
- Fines and Forfeitures – forfeitures are typically not budgeted for and recognized until revenue is received.
- Miscellaneous Revenue – higher than expected Tree Mitigation revenue.

Expenses projected to exceed budget, or with significant variances to budget in excess of 10%, or \$250,000, are due to:

- GCRA projects budgeted but not expected to be expended before the end of the fiscal year.
- Transportation Concurrency funded projects budgeted but not projected to be expended before the end of the fiscal year.
- Grants revenue received (such as CDBG or HOME) for projects but not expected to start before the end of the fiscal year.

PROPRIETARY FUNDS OVERVIEW

The City Proprietary Funds are comprised of the following:

- Enterprise: Building Code Enforcement, Regional Transit System, Solid Waste Collection and Stormwater Management
- Internal Service: Employee's Health and Accidental Benefits, Fleet Management & Replacement and General Insurance

Enterprise Funds

Enterprise funds account for the City's ongoing activities that are similar to those found in the private sector. Building Code Enforcement, Regional Transit System, Solid Waste Collection and Stormwater Management are included in this grouping.

Internal Service Funds

The cost of providing centralized services by the Internal Service and Self Insurance funds are allocated to other Departments for a full cost reimbursement. The goods and services provided by Fleet Management and Replacement and Risk Management are included in this grouping.

PROPRIETARY FUNDS								
	FY 2020 Actual (Unaudited)	FY 2021 Amended Budget (April 15, 2021)	FY 2020 Q2 Actual	FY 2021 Q2 Actual	FY 2021 Q2 Actual as % of Amended Budget	FY 2021 Year End Projection	Year-end Projection vs. Amended Budget Variance (\$)	Year-end Projection vs. Amended Budget Variance (%)
Revenues								
Taxes	3,558,793	2,876,343	1,720,390	1,678,117	58.3%	2,876,343	0	0.0%
Licenses and Permits	3,072,862	2,183,397	1,198,382	2,048,252	93.8%	2,183,397	0	0.0%
Intergovernmental	8,658,243	24,922,766	1,926,193	1,552,988	6.2%	18,922,766	(6,000,000)	-24.1%
Charges For Services	31,708,130	34,464,043	14,044,588	16,324,825	47.4%	32,464,043	(2,000,000)	-5.8%
Miscellaneous Revenues	33,146,287	24,541,326	18,455,995	16,272,815	66.3%	22,642,569	(1,898,757)	-7.7%
Internal Service	0	22,642,569	9,777,357	4,805,543	21.2%	22,642,569	0	0.0%
Transfers	17,813,526	1,447,623	0	1,309,677	90.5%	1,447,623	0	0.0%
Use of Net Position	0	36,251,886	0	0	0.0%	1,042,960	(35,208,926)	-97.1%
TOTAL REVENUES	97,957,841	149,329,954	47,122,906	43,992,217	29.5%	104,222,270	(45,107,684)	-30.2%
Expenditures								
<i>Enterprise Funds</i>								
Building Code Enforcement	3,247,331	4,351,615	1,683,310	2,199,272	50.5%	4,351,615	0	0.0%
Ironwood Golf Course	0	145,888	196,071	187,568	128.6%	187,568	41,680	28.6%
Regional Transit System	32,639,269	32,456,878	16,133,043	15,954,795	49.2%	31,909,590	(547,288)	-1.7%
Solid Waste Collection	10,456,483	11,159,973	3,444,137	5,795,087	51.9%	11,159,973	0	0.0%
Stormwater Management	9,879,640	8,897,288	3,872,703	3,705,931	41.7%	8,897,288	0	0.0%
<i>Internal Service Funds</i>								
Employees Health and Accidental Benefits	27,071,922	29,437,918	11,717,776	11,411,626	38.8%	29,267,918	(170,000)	-0.6%
Fleet Management & Replacement	8,842,592	11,348,608	3,571,145	4,492,629	39.6%	11,348,608	0	0.0%
General Insurance	6,594,784	8,729,710	4,521,771	5,122,872	58.7%	7,099,710	(1,630,000)	-18.7%
TOTAL EXPENDITURES	98,732,021	106,527,878	45,139,955	48,869,779	45.9%	104,222,270	(2,305,608)	-2.2%

An analysis of the Proprietary Fund actual six-month operating revenues and expenditures for the period October 1, 2020 through March 31, 2021 indicates:

- Revenues projected to exceed budget, or with significant variances to budget in excess of 10%, or \$250,000, are due to:
 - Intergovernmental – decreased appropriation due to expected timing of grant receipts for Regional Transit System shifting from FY 2021 to FY 2022.
 - Charges for Services – decreased appropriation due to expected timing of grant receipts for Regional Transit System shifting from FY 2021 to FY 2022.
- Expenses projected to exceed budget, or with significant variances to budget in excess of 10%, or \$250,000, are due to:
 - Ironwood Golf Course – capital surcharge revenue receipts trending higher than budgeted.
 - Regional Transit System – personnel savings due to unfilled vacancies.
 - General Insurance – projection adjusted to reflect historical expenditures.

CONCLUSION

This analysis of budget to actual operating revenues and expenses with projections through September 30, 2021 provides the status of the City's budget for the first six months of the fiscal year. Based on preliminary projections, the General Fund is projected to end the fiscal year with a \$6.8 million surplus, the Special Revenue fund is projected to end the fiscal year with a \$3 million surplus and the Proprietary funds are expected to end the year on budget or with a small surplus with the exception of the Regional Transit System, the Employees' Health and Accidental Benefits and General Insurance funds which are expected to end the fiscal year at a deficit. It is important to note that the first six months of any fiscal year are not a definitive indication of the experience for the remainder of the fiscal year, but do however, provide a better glance at identifying any potential issues compared to the first quarter of any fiscal year.

The Budget & Finance Department will continue to monitor revenue and expense trends for the fiscal year and will provide another update at the end of the third quarter on year-end projections.