



# **FY2020 General Fund Third Quarter Update June 1, 2020**

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# Outline

- Administrative Reporting on City Finances
- Third Quarter General Fund Revenue projections
- Update on Third Quarter General Fund Expenditure projections
- Re-appropriation Amendment
- Conclusion

# Administrative Reporting

- Administration provides numerous financial reports to City Council and the public throughout the fiscal year
  - Monthly financial reports
    - Prepared and submitted by the Department of Finance
  - Quarterly projection reports
    - Prepared and submitted by the Department of Budget
  - Others
- Reports are designed to give stakeholders data needed to assess fiscal position and to make any adjustments – early – if there is a need

# Administrative Reporting

- Quarterly Projection Reports
- Provided 45 days after the close of the quarter
- Reports help to assess the fiscal position of the City based on:
  - Actual revenues and expenditures posted to the City's financial system,
  - Finance staff provides a year end projection on citywide sources of revenues (taxes) and Budget staff provides a year end projection on departmental revenues (based on feedback from departments)
  - With extensive dialogue with departments, an assessment on anticipated, projected year end expenditures (by department)

# Third Quarter Projections - Revenues

- FY2020 Third Quarter Report projects general fund revenues to come in less than the modified budget by (\$18M)
- This projected revenue shortfall, which differs from the Second Quarter projections/report, is directly attributed to an anticipated reduction in several taxes due almost exclusively to COVID-19

# Third Quarter Projections - Revenues

- A projected shortfall in several taxes is anticipated in FY20 due to COVID-19:
  - Local Sales Taxes – (\$1.6M)
  - Lodging Taxes – (\$2.9M)
  - Prepared Food Taxes – (\$13.5M)
- There are other sources of revenues that are anticipated to come in above and below budget, however the above are the most impacted by COVID-19
- Total projected general fund revenue shortfall is (\$18,024,211)

# Update on Third Quarter Projections – Expenditures

- FY2020 Third Quarter projections **projects** general fund expenditures to come in less than **(savings)** the modified budget by \$11.4M (This is an update from the Third Quarter report which projected a savings of \$11.8M)
- This total, projected savings is primarily attributed to:
  - Implementation of a hiring freeze (designed to help offset the anticipated shortfall in revenues),
  - Moratorium on discretionary purchases (designed to help offset the anticipated shortfall in revenues), and
  - Departments running efficient operations

# Update on Third Quarter Projections – Expenditures

- The projected expenditure savings of \$11.4M includes increased contributions to:
  - EnRichmond Foundation = \$500k
  - Home = \$250k
  - Homeward = \$300k
  - Affordable Housing Trust Fund = \$1M
  - Cover departments that have either overspent or incurred charges to special funds deemed inappropriate
    - Library - \$324k
    - DED - \$120k
    - Press Secretary - \$229k



# Update on Third Quarter Projections – Expenditures

## ■ Non-Departmental

- The original third quarter report and Ord. 2020-110 included reductions to several Non-Departmental organizations
- After further review, many of those organizations are proposed to have their reductions restored via an updated re-appropriation ordinance (to be introduced today)
- This results in the net increase of \$405k (hence the change from \$11.8M savings to \$11.4M)
- This was the only update from the third quarter report submitted on May 11th

# Update on Third Quarter Projections – Net Result

- FY2020 Modified Budget = \$757.2M
- FY2020 Revenue Projections = \$739.2M
  - This represents an anticipated shortfall of (\$18M) compared to budget
- FY2020 Expenditure Projections = \$745.8M
  - This represents an anticipated savings of \$11.4M compared to budget
- FY2020 results in a net shortfall of (\$6.6M) (less than 1% of the modified budget) when comparing projected revenues to be collected vs. projected year end expenditures

# Re-appropriation Amendment

- Every year (at least since FY12), after the third quarter, City realigns agencies budgets to their projected expenditures and based on projected year end revenues
- A Re-appropriation paper is drafted and submitted to City Council using the third quarter projections (nine months of data) as a basis for the re-alignment
- This year, despite projected expenditure savings, City is projected to generate less revenues – due to COVID-19, an unavoidable, unforeseen, and catastrophic event
- Due to COVID-19's impacts on City revenues, it is recommended to utilize \$6.6M from the City's Budget and Revenue Stabilization Contingency Reserve to meet projected expenditure levels in FY20

# Re-appropriation Amendment

- The introduced ordinance today (Update Re-appropriation Ordinance) seeks to:
  - Decrease the general fund budget to meet projected obligations – by approximately \$11.4M (the amount of the projected expenditure savings);
  - Appropriate funds from the City's Budget and Revenue Stabilization Contingency Reserve - \$6.6M in order to fully offset the net projected, general fund shortfall;
  - Transfer projected surpluses from multiple agencies to those agencies that are projected to have a shortfall; and
  - Amend special fund by increasing the appropriation of the Affordable Housing Trust Special fund by \$1,000,000.

## QUESTIONS