



CITY OF RICHMOND

INTRACITY CORRESPONDENCE

TO: The Honorable Kathy Graziano
Chair of Finance and Economic Development Committee

THROUGH: Mayor Dwight C. Jones

THROUGH: Selena Cuffee-Glenn
Chief Administrative Officer

THROUGH: Lenora Reid
Deputy Chief Administrative Officer, Finance & Administration

FROM: Jay A. Brown, Ph.D.
Budget & Strategic Planning Director

DATE: November 15, 2015

RE: Fiscal Year 2016 First Quarter Revenue & Expenditure Projection Report

The Fiscal Year 2016 First Quarter Revenue and Expenditure Projection Report is provided to the Finance and Economic Development Committee to describe the City's Fiscal Year 2016 year-to-date financial performance. The report includes revenue and expenditures up-to-date through September 30, 2015.

A summary of the report is provided below. Details of the report as well as a write up of variances are provided on the next several pages.

Summary of FY2016 Projected Balances as of 09/30/2015	
Projected Total FY2016 General Fund Revenue	690,225,746
Projected Total FY2016 General Fund Expenditures	702,618,170
Total: FY2016 Projected Budgetary Surplus/(Shortfall)	(12,392,424)

City of Richmond
Finance & Administration Portfolio
FY2016 First Quarter Report

Sources

	FY2016 Amended Budget	FY2016 Collections as of 09/30/2015	FY2016 Year End Projection	Variance: Amended Budget vs. Preliminary Year End surplus(shortfall)	
General Property Taxes					
Real Property Taxes					
Current	230,681,016	(94,732)	231,406,338	725,322	100.31%
Delinquent Real Estate Tax	9,547,841	3,191,285	9,547,841	0	100.00%
Subtotal: Real Property Taxes	240,228,857	3,096,553	240,954,179	725,322	100.30%
Personal Property Taxes					
Personal Property Tax	29,857,971	(31,562)	29,857,971	0	100.00%
Personal Property Tax Relief	16,708,700	0	16,708,700	0	100.00%
Delinquent Personal Property Tax	11,547,375	1,869,302	9,375,224	(2,172,151)	81.19%
Subtotal: Personal Property Tax	58,114,046	1,837,740	55,941,895	(2,172,151)	96.26%
Other Property Taxes					
Machinery & Tools Tax	15,500,000	(119,596)	12,956,841	(2,543,159)	83.59%
Mobile Home Title Tax	6,050	0	6,050	0	100.00%
Subtotal: Other Property Tax	15,506,050	(119,596)	12,962,891	(2,543,159)	83.60%
Total General Property Taxes	313,848,953	4,814,697	309,858,965	(3,989,988)	98.73%
Other Local Taxes					
Consumer Utility Taxes					
Electric Consumer tax	12,325,598	1,059,843	12,325,598	0	100.00%
Gas Consumer Tax	4,600,000	0	5,002,115	402,115	108.74%
Utility Pole & Conduit Tax	157,933	0	157,933	0	100.00%
Subtotal: Consumer Utility Taxes	17,083,531	1,059,843	17,485,646	402,115	102.35%
Consumer Taxes					
Local Sales & Use Tax	33,375,585	5,538,566	33,585,695	210,110	100.63%
Prepared Food (Meals) Tax	31,419,954	10,558,046	31,874,330	454,376	101.45%
Lodging (Hotel) Tax	7,070,496	2,227,255	7,118,541	48,045	100.68%
Admissions Tax	2,990,397	562,446	2,995,415	5,018	100.17%
Vehicle Rental Tax	960,634	147,639	960,634	0	100.00%
Short Term (1% Property) Rental Tax	147,588	20,332	130,276	(17,312)	88.27%
Subtotal: Consumer Taxes	75,964,654	19,054,284	76,664,891	700,237	100.92%
State Distributed Local Taxes					
Sales & Use Tax for Education	24,833,935	2,948,534	24,833,935	0	100.00%
Communications Tax	17,227,534	2,697,950	17,227,534	0	100.00%
Recordation Tax	801,368	190,155	801,368	0	100.00%
Subtotal: State Dist. Local Taxes	42,862,837	5,836,639	42,862,837	0	100.00%
Business Taxes					
Bank (Stock) Franchise Tax	8,454,227	189,020	8,454,227	0	100.00%
Telephone Commissions Tax	642,295	164,993	642,295	0	100.00%
Subtotal: Business Taxes	9,096,522	354,013	9,096,522	0	100.00%
Other Taxes					
Penalty & Interest on Delinquent Taxes	4,880,809	2,536,110	4,880,809	0	100.00%
Subtotal: Other Taxes	4,880,809	2,536,110	4,880,809	0	100.00%
Total Other Local Taxes					
Total Taxes	463,737,306	33,655,586	460,849,670	(2,887,636)	99.38%

Sources

	FY2016 Amended Budget	FY2016 Collections as of 09/30/2015	FY2016 Year End Projection	Variance: Amended Budget vs. Preliminary Year End surplus(shortfall)	
Licenses, Permits & Fees					
Business License	34,154,693	994,858	33,654,693	(500,000)	98.54%
Vehicle License	3,989,495	240,284	3,989,495	0	100.00%
Parking Fees & Permits				0	
Utility Right-of-Way Fees	780,210	57,044	780,210	0	100.00%
Other Licenses, Permits & Fees	1,354,263	285,278	1,354,263	0	100.00%
Total Licenses Permits & Fees	40,278,661	1,577,464	39,778,661	(500,000)	98.76%
Intergovernmental Revenue					
Federal Revenue	514,951	200	514,951	0	100.00%
State Payment for Social Services	41,997,067	215	41,619,924	(377,143)	99.10%
State House Bill 599	13,600,000	3,473,505	13,600,000	0	100.00%
Reimbursement for State Shared Expenses	19,053,921	3,031,638	19,053,921	0	100.00%
Street Maintenance	24,539,222	6,576,236	24,539,222	0	100.00%
State Block Grant	4,280,605	1,019,494	4,280,605	0	100.00%
State Payment in Lieu of Taxes (PILOT)	3,422,138	539,748	3,422,138	0	100.00%
All Other State Revenue	746,022	6,750,291	746,022	0	100.00%
Total Intergovernmental Revenue	108,153,926	21,391,327	107,776,783	(377,143)	99.65%
Fines and Forfeits					
Circuit Court Fines & Fees	4,172,973	872,775	4,172,973	0	100.00%
General District Court Fines & Fees	1,441,724	67,821	1,441,724	0	100.00%
Juvenile & Domestic Relations Court	5,461	443	5,461	0	100.00%
Parking Violations				0	
Overdue Book Fines	93,592	7,001	93,592	0	100.00%
Total Fines & Forfeits	5,713,750	948,040	5,713,750	0	100.00%
Utility Payments to the General Fund					
Utility Payment in Lieu of Taxes	27,760,230	0	27,760,230	0	100.00%
Payment for Collection Services	570,000	0	570,000	0	100.00%
Payment for Administrative Services	3,554,065	0	3,554,065	0	100.00%
Utility Dividend Payments	3,419,714	0	3,419,714	0	100.00%
Total Utility Payments to the General Fund	35,304,009	0	35,304,009	0	100.00%
Charges for Goods & Services					
Building Service Charges	1,047,211	292,721	1,047,211	0	100.00%
Rental of Property	416,870	76,499	416,870	0	100.00%
Safety Related Charges	202,346	16,380	202,346	0	100.00%
Other Service Charges	1,905,816	467,854	1,905,816	0	100.00%
Refuse Collection Fees	12,028,867	0	12,028,867	0	100.00%
Commercial Dumping Fees	325,624	373	55,215	(270,409)	16.96%
Recycling Proceeds	1,650,723	646	1,650,723	0	100.00%
Inspection Fees	4,777,527	1,083,233	4,777,527	0	100.00%
Health Related Charges	47,488	78,759	47,488	0	100.00%
Other Sales	209,389	59,753	209,389	0	100.00%
Printing and Telecommunication Charges	339,656	1,644	339,656	0	100.00%
Risk Management	5,944,424	6,326	5,944,424	0	100.00%
Total Charges for Goods & Services	28,895,941	2,084,188	28,625,532	(270,409)	99.06%

Sources

	FY2016 Amended Budget	FY2016 Collections as of 09/30/2015	FY2016 Year End Projection	Variance: Amended Budget vs. Preliminary Year End surplus(shortfall)	
Other General Fund Revenue & Resources					
Administrative Payments	1,754,478	403,807	1,754,478	0	100.00%
Internal Service Fund Payments	353,416		353,416	0	100.00%
Data Sharing & Other Transfers	3,000,000	0	3,000,000	0	100.00%
Other Payment to the General Fund	1,120,745	48,820	1,120,745	0	100.00%
All Other Revenue	5,948,702	530,307	5,948,702	0	100.00%
Total Other General Fund Revenue	12,177,341	982,934	12,177,341	0	
Subtotal General Fund Revenue	694,260,934	60,639,538	690,225,746	(4,035,188)	99.42%
All Other Resources					
Rainy Day/Unassigned Fund Balance					
Other Reserves					
Total All Other Resources	0	0	0	0	
General Fund Revenue Grand Total	694,260,934	60,639,538	690,225,746	(4,035,188)	99.42%

All Projections are based on data collected at a point in time.
 All Projections could change as more data becomes available at year end closing.

Uses

Agency	FY 2016 Adopted Budget	FY 2016 Current Budget	Expenditures through Sept 30th	FY 2016 Year- End Projection	Variance: Current vs Projection surplus/(shortfall)	
Culture & Recreation						
Library	5,732,713	5,732,713	1,296,486	5,698,627	34,086	99.4%
Parks Rec	16,334,467	16,334,467	3,847,136	16,600,373	(265,906)	101.6%
Debt						
Debt	61,399,750	61,399,750	39,102,624	61,399,750	-	100.0%
Education						
RPS	170,833,592	170,833,592	-	170,833,592	-	100.0%
General Government						
Assessor	3,038,863	3,038,863	704,927	3,124,160	(85,297)	102.8%
Auditor	1,673,890	1,673,890	347,753	1,855,617	(181,727)	110.9%
Budget	1,260,775	1,260,775	335,459	1,288,529	(27,754)	102.2%
Chief Admin Officer	1,294,391	1,294,391	297,574	1,341,504	(47,113)	103.6%
City Attorney	2,739,943	2,739,943	633,651	2,534,299	205,644	92.5%
City Clerk	926,711	926,711	199,475	897,694	29,017	96.9%
City Council	1,325,096	1,325,096	288,639	1,321,348	3,748	99.7%
City Treasurer	184,507	184,507	43,963	177,433	7,074	96.2%
Council Chief of Staff	1,155,089	1,155,089	282,529	1,157,304	(2,215)	100.2%
Econ & Comm Dev	5,118,237	5,118,237	1,123,010	5,409,480	(291,243)	105.7%
Finance	22,151,953	22,151,953	9,095,225	23,546,330	(1,394,377)	106.3%
General Registrar	2,170,483	2,170,483	244,694	2,152,007	18,476	99.1%
Human Resources	2,858,061	2,858,061	671,448	2,780,616	77,445	97.3%
Info Tech	17,985,820	17,985,820	5,513,720	18,658,009	(672,189)	103.7%
Mayor's Office	970,793	970,793	258,395	986,523	(15,730)	101.6%
Minority Business Development	571,433	571,433	135,318	654,682	(83,249)	114.6%
Planning & Dev Review	9,453,732	9,453,732	2,345,744	10,057,570	(603,838)	106.4%
Press Secretary	516,120	516,120	121,206	517,060	(940)	100.2%
Procurement Serv.	1,146,608	1,146,608	316,007	1,263,539	(116,931)	110.2%
Highways, Streets, Sanitation & Refuse						
Public Works	58,140,890	58,140,890	9,213,330	59,237,159	(1,096,269)	101.9%
Human Services						
Justice Services	8,814,093	8,814,093	1,826,589	9,281,974	(467,881)	105.3%
Office of DCAO/HS	2,178,841	2,178,841	691,827	2,151,669	27,172	98.8%
RCHI - Health	3,781,490	3,781,490	-	3,781,490	-	100.0%
Social Services	54,887,391	54,887,391	16,101,289	55,493,232	(605,841)	101.1%
Non-Departmental						
Non-Dept	50,755,465	55,755,465	18,468,961	53,574,563	2,180,902	96.1%
Public Safety & Judiciary						
Animal Control	1,580,169	1,580,169	399,487	1,652,979	(72,810)	104.6%
Emergency Communications	4,105,961	4,105,961	1,133,377	4,538,607	(432,646)	110.5%
Fire & Emer Svcs	44,067,952	44,067,952	10,915,844	44,307,144	(239,192)	100.5%
J & DR Court	236,325	236,325	41,891	236,275	50	100.0%
13th District Court Services Unit	225,036	225,036	29,689	224,390	646	99.7%
Jail/Sheriff	34,190,271	34,190,271	9,616,419	36,951,257	(2,760,986)	108.1%
Judiciary - Adult Drug Ct	589,785	589,785	146,678	596,150	(6,365)	101.1%
Judiciary - Cir Ct	3,770,679	3,770,679	959,225	3,793,102	(22,423)	100.6%
Judiciary - CW Atty	5,934,896	5,934,896	1,466,299	5,955,498	(20,602)	100.3%
Judiciary - Other	299,109	299,109	60,143	291,652	7,457	97.5%
Police	84,859,553	84,859,553	21,295,629	86,294,985	(1,435,432)	101.7%
Grand Total	689,260,933	694,260,933	159,571,661	702,618,170	(8,357,237)	101.2%

All Projections are based on data collected at a point in time.
All Projections could change as more data becomes available at year end closing.

FY 2016 First Quarter Revenue Projections

Below are explanations of variances within major accounts in the revenue projections. Explanations are offered for variances that are +/- 3% or +/- \$100,000. The current forecast projects revenues to come in under the FY2016 budget by \$4 million or 0.58%. **Please note that the first quarter projection will remain unchanged ONLY if there is no change in current assumptions and no change in the expected overall national, state, and local economic conditions.** The explanations are in order as they appear in the prior table.

Real Estate Projected Revenue Surplus: \$725k

Real Estate tax has a projected surplus of \$0.7 million based on increased assessments provided by the City Assessor's Office.

Delinquent Personal Property Tax Projected Revenue Shortfall: \$2.2 million

This shortfall is projected based on historical collections for this revenue source. Average collections over the last six years have been \$6.1m, with \$8.8m raised in FY2015. On this basis, there should be an increase in revenue compared to prior year collections, but it is estimated to be under the budgeted amount in FY16.

Machinery & Tools Tax Projected Revenue Shortfall: \$2.5 million

Machinery & Tools Tax has a projected revenue shortfall. Revenue was under the budgeted amount for FY2013, FY2014, and FY2015. In FY2013 it declined to \$15,001,324 and in FY2014 fell again to \$13,607,934. Preliminary (unaudited) FY2015 revenues again show this category to come in under budget, with \$12.8m being collected. The projection for FY2016 is estimated to be aligned to FY2015 revenues with a projection of \$12.9 million.

Gas Consumer Tax Projected Revenue Surplus: \$400k

The Gas Consumer Tax is expected to have a revenue surplus of \$0.4m. This revenue source is generally stable, but can be highly seasonal depending on weather conditions. Based on historical trends, this revenue source has been increasing, with FY2015 preliminary collections being \$5.1 million. With a budget of \$4.6m in FY2016, if there continues to be an increased demand, then it is projected that there will be an excess of revenues compared to budget.

Local Sales and Use Tax Projected Revenue Surplus: \$210k

Local Sales and Use Tax is estimated to have a surplus of \$0.2m. Revenue generated in FY2014 was \$30.4m and in FY2015 preliminary estimates show an increase to \$32.6m. Based on this upward trend and continued economic growth it is estimated that this will generate a surplus compared to the budgeted amount.

Prepared Food Tax Projected Revenue Surplus: \$454k

Prepared Food Tax has a projected revenue surplus. Actual collections were \$28,320,613 in FY2013 and \$30,444,280 in FY2014 – a growth rate of 7.5%. Preliminary FY2015 revenues show a further increase to \$31.7m. As a result, further growth is anticipated in FY2016 resulting in a surplus for this revenue category.

Short-Term (1% Property) Rental Tax

Projected Revenue Shortfall: \$17k

Short-Term Rental tax is projected to have a revenue shortfall of \$17k. This revenue is generated from businesses paying tax on revenue made from renting their property. FY2016 revenue is projected to be \$130k which is in line with historical collections for this revenue source.

Business License

Projected Revenue Shortfall: \$500k

This License fee is based on a percentage of gross receipts and is paid by a person or business engaging in any business, trade, profession, or occupation unless exempted. Licenses expire annually on December 31st and must be renewed by March 1st. The FY2016 projection is based on historical trends for this revenue source with the expectation there will continue to be an upward increase in this revenue source compared to prior year actuals, but it is projected that it will be under what was budgeted in FY2016.

Social Services State Revenue

Projected Revenue Shortfall: \$377k

Social Services State Revenue has a projected revenue shortfall of \$377k due to lower than projected reimbursement payments to the city based on Social Services departmental expenditures for programs.

Commercial Dumping Fees

Projected Revenue Shortfall: \$270k

Commercial Dumping Fees has a projected revenue shortfall of \$270k. This revenue source is generated when businesses as well as the Department of Public Utilities pay for permits and fees for disposal of inert solid waste. The projected revenue shortfall is due to businesses using the inert solid waste site at a lower frequency.

FY2016 First Quarter – Expenditure Projections

Overall, the first quarter forecast shows projected expenditures to exceed the current budget by \$8,357,237 or 1.2%

It is important to note that these projections are based on data collected for FY16 as of September 30, 2015. As a result, these projections could change as more data becomes available at year end closing. Below are explanations of major variances in the preliminary end of year expenditure projections. The explanations are in order as they appear in the fourth quarter status report. Variances of +/- 3% or +/- \$250,000 are detailed below.

Parks and Receptions **Projected Budget Shortfall: \$266k**

The Department of Parks and Recreation is projected to have a shortfall of \$266k. This projected shortfall is currently exclusive to personnel. Personnel overages are attributed to: the payout of the 2% salary increase for staff, hiring provisional and temporaries to backfill vacant full time positions, salary increases due to HR job classification studies, the transfer of employees from other departments into Parks and Recreation, and the filling of vacant positions that were not fully funded.

Auditor **Projected Budget Shortfall: \$182k**

The Auditor's Office is projected to have a \$182k shortfall. \$28k of the projected shortfall is associated with the costs attributed to the 2% pay increase. A projected operating shortfall of \$153k is associated with projected contractual obligations for the new External Audit Contract.

Chief Administrative Officer **Projected Budget Shortfall: \$47k**

The Office of the Chief Administrative Officer is projected to have a \$47k shortfall that is attributed to the department filling positions that were not fully funded and the payout of the 2% salary increase.

City Attorney **Projected Budget Surplus: \$206k**

The City Attorney's Office is projected to have a \$193k surplus in personnel that is primarily associated with the existence of vacancies in the department. Minor operating savings of \$12k is projected in operating.

City Clerk **Projected Budget Surplus: \$29k**

The City Clerk's Office has a total projected savings of \$29k. \$24k of this savings is associated with personnel savings resulting from an early retirement of an employee (the agency has decided to not fill the position). Minor operating savings of \$5k are projected across several department functions, including, but not limited to advertising and security services.

Treasurer **Projected Budget Surplus: \$7k**

The Treasurer's Office is projected to have a personnel savings of \$7k that is attributed to the existence of a vacant position.

Economic and Community Development **Projected Budget Shortfall: \$291k**

The Department of Economic and Community Development has a projected shortfall of \$300k in personnel that is attributed to: the payout of the 2% salary increase, payroll adjustments for interim appointments, and charging a larger percentage of the salary and benefits for the DCAO for Economic and Community Development to the Department than what was originally allocated. Minor operating savings of \$9k are also projected.

Finance **Projected Budget Shortfall: \$1.4m**

The Department of Finance is projected to have a shortfall of \$1.4m. Personnel costs will be over-budget primarily due to temporary personnel hired by the department in addition to the 2% pay increase which was budgeted in Non-Departmental. Operating expenses will be over budget due to contracted temporary personnel which are being hired to cover the role of existing vacancies. Additionally, unanticipated expenses will also cause the department to be over budget. These include expenses related to external auditing, software licensing, and legal fees.

Information Technology **Projected Budget Shortfall: \$672k**

The Department of Information Technology is projected to have a shortfall of \$672k. Personnel costs will be over-budget primarily due to the anticipated recruitment of two positions in addition to the 2% pay increase which was budgeted in Non-Departmental. Operating expenses will be over budget due to contractual increases related to Oracle Software and Microsoft Licensing Fees. These are the primary drivers of the department's overage contributing about \$626k of the \$672k overage.

Minority Business Development **Projected Budget Shortfall: \$83k**

The Office of Minority Business Development is projected to have a shortfall of \$83k that is attributed to filling positions that were not fully funded and the payout of the 2% salary increases.

Planning and Development Review **Projected Budget Shortfall: \$604k**

The Department of Planning and Development Review is projected to have a \$639k shortfall in personnel that is primarily attributed to the department filling several vacant positions that were not fully funded and the payout of the 2% salary increase. Minor operating savings of \$35k are projected.

Procurement **Projected Budget Shortfall: \$117k**

The Procurement Department is projected to have a shortfall of \$117k that is attributed to the department filling positions that were not fully funded and the payout of the 2% salary increase.

Public Works **Projected Budget Shortfall: \$1.1m**

The Public Works Department is projected to have a shortfall of \$200k in personnel that is attributed to the payout of the 2% salary increase and filling several vacant positions. The Department is projected to have a shortfall of \$900k in operating that is primarily attributed to contractual obligations for the leaf collection program.

Justice Services**Projected Budget Shortfall: \$468k**

The Department of Justice Services is projected to have a shortfall of \$468k in personnel that is attributed to the Department filling vacant positions that were not fully funded and the payout of the 2% salary increase.

Social Services**Projected Budget Shortfall: \$606k**

The Department of Social Services is projected to have a shortfall of \$634k. A personnel shortfall of \$710k is attributed to payout of the 2% salary increase, the payout of employee overtime, and the use of temporary labor. A preliminary savings in operating of \$104k is projected much of which is within the Department's contracts and professional services.

Non Departmental**Projected Budget Surplus: \$2.2m**

The savings in Non Departmental is associated with funding earmarked for the 2% salary increase. Currently, departments are incurring the cost of the 2% pay increase within their general fund budgets. Funding will be recommended to be transferred from Non Departmental to departments for their costs associated with the 2% salary increase.

Animal Control**Projected Budget Shortfall: \$73k**

The Office of Animal Care and Control is projected to have a shortfall of approximately \$73k in personnel. This shortfall is the result of the payout of the 2% salary increase and the agency filling vacant positions that were not fully funded.

Emergency Communications**Projected Budget Shortfall: \$433k**

The Department of Emergency Communications is projected to have a shortfall in personnel of \$433k. This shortfall is attributed to the department filling vacant positions that were not fully funded and the payout of the 2% salary increase.

Jail/Sheriff**Projected Budget Shortfall: \$2.8m**

The Sheriff's Office is projected to be \$2.3 million over budget in operating due to increased (and somewhat unpredictable) inmate medical costs and prescription/drugs contractual costs. Additionally, personnel is projected to be over budget primarily as a result of the payout of 2% salary increase approved by the State and the filling of vacant positions that were not fully funded.

Police**Projected Budget Shortfall: \$1.4m**

The Police department is expected to realize a \$1.4 million shortfall in personnel that is the result of compression and step payouts in excess of the appropriated budget in the salaries and benefits of the sworn staff. Additionally, the reduction of vacancy funding also had an impact on this shortfall as the department had funding for the equivalent of 20 positions and the department has 27 current recruits in the academy.