



CITY OF RICHMOND

INTRACITY CORRESPONDENCE

TO: The Honorable Mayor Levar M. Stoney

The Honorable Cynthia Newbille
Chair of the Finance and Economic Development Committee

The Honorable Members of City Council

Lincoln Saunders, Chief of Staff, Office of the Mayor

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: February 15, 2017

RE: Fiscal Year 2017 Second Quarter Revenue & Expenditure Projection Report

The Fiscal Year 2017 Second Quarter Revenue and Expenditure Projection Report is provided to the Finance and Economic Development Committee to describe the City's Fiscal Year 2017 year-to-date financial performance. The report includes revenue and expenditures up-to-date through December 31, 2016 – utilizing only six (6) months of data.

A brief overview of the projected FY2017 general fund revenues and expenditures is provided below. Details, as well as a write up of major variances, are provided further within the report.

General Fund Revenues

General Fund Revenues are currently forecast to be slightly more than what was budgeted with a projected surplus of \$2,646,354, or 0.37% higher than the modified revenue budget. At the second quarter there are several projected revenue sources which will exceed the modified budget. These include the Prepared Food Tax, the Lodging Tax, Delinquent Real and Personal Property Taxes, and Interest – Penalties and Interest on Delinquent Taxes. Stronger collection efforts coupled with a growing economy are the factors behind the growth in these sources. However, some revenue sources are projected to be less than budgeted. These

include the State Communications Tax, Real Estate Taxes, Personal Property Taxes, Shared Expenses for the Sheriff, and Penalty – Penalty & Interest on Delinquent Taxes.

General Fund Expenditures

General Fund expenditures are trending in a positive direction, with a preliminary, projected savings of \$2,900,299 or 0.40% of the current (modified) budget. This includes a projected personnel surplus of \$6,774,741 and a projected operating shortfall of **(\$3,874,443)**. Projected savings within personnel is primarily attributed to turnover and vacancy savings as well as health insurance savings (resulting from lower than anticipated health insurance employer premium rates). However, a projected shortfall in citywide overtime costs are reducing the total potential personnel savings. The largest drivers of the projected shortfall in overtime at the second quarter include: Public Works, Police, Fire and EMS, and Social Services. Overtime, in most cases, is being used by departments to supplement vacancies that currently exist.

A projected operating shortfall of \$3.9 million is primarily attributed to an anticipated increase in the payment to the Greater Richmond Convention Center Authority (GRCCA) of \$2.4 million. This increase in expenditures is attributed to an anticipated increase in the amount of lodging tax revenue that will be generated by the City. Currently, the total amount of lodging tax revenue that the City receives is earmarked for operations of the convention center. As a result, a net increase in the collection of the City's lodging taxes will result in a corresponding increase in the payment to the GRCCA. Additionally, this projection includes a \$2 million expense to purchase self-contained breathing apparatuses for employees of the Fire department.

A summary of the Second Quarter 2017 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 FY2017 Projected Balances as of 12/31/2016	
Projected Total FY2017 General Fund Revenue	\$720,470,922
Projected Total FY2017 General Fund Expenditures	\$714,924,269
Total: FY2017 Projected Budgetary Surplus/(Shortfall)	\$5,546,653

The City has implemented cost cutting strategies and efficiencies in FY2016 in addition to enhanced revenue collection efforts that are continuing throughout FY2017. It was due to these efforts that the City is projected to have a surplus for FY2016 (this was reported on the FY2016 Fourth Quarter Report). Similarly, it is also due to these strategies that the City is currently projecting to also realize a modest, **preliminary** general fund surplus for FY2017.

Noting the City's preliminary, projected surplus for FY2017, it is important to note that there are several items that must be addressed currently and, if resources permit, in the upcoming biennial budget. These items have been articulated by the rating agencies as areas that the City will need to address in order to maintain its already healthy bond ratings. To that end, the

administration, seeking to continue the mantra of implementing best practices, recommends that any preliminary, projected surplus, be used to address the following critical areas:

- An **additional, lump sum contribution to the Richmond Retirement system** to help increase the plan's funded status – **Allocate \$1,000,000**

The City's current retirement plan funded status is critically low at 60%. An additional contribution to the retirement system, in addition to the City's pay as you go funding toward the normal annual required contribution (ARC), will slowly assist in increasing the plans funded status. Most healthy localities have a funding status at a minimum of 80%. The additional contribution will not only increase the funding status but put the City on a path to a AAA bond rating.

- The **establishment of an Other Post Employment Benefits (OPEB) Trust Fund** to address a growing, future liability for retiree benefits – **Allocate \$1,000,000**

The City's current liability for OPEB has increased, as of July , 2014, due to the inclusion of an additional 645 public safety employees who are now eligible for other post employment benefits and the actuarial estimate of the excise tax of 40% of the difference between the trended per capital claims cost and the excise tax cost threshold resulting from the Patient Protection and Affordable Care Act. The City currently funds, on a pay-go/cash basis, the active retiree portion of OPEB. However, the inclusion of these additional employees has increased the City's original projected OPEB cost from \$4.9m to a projected \$8m. In order to meet this future obligation, it is recommended to increase funding for the creation of a new, trust fund for OPEB. By establishing this fund, the City will be in compliance with the recommendations of the bond rating agencies and will put the City on a path to a AAA bond rating.

- Adding **Pay-go/Cash funding** for capital projects in the City's CIP – **Allocate \$1,000,000**

The City is currently funding nearly all of its capital projects with borrowed money i.e. debt. The result of debt reliance has been an increase in costs (interest payments) and reduced flexibility. Utilizing pay go/cash to fund a portion of the City's CIP saves the City from paying interest costs on debt and lowers debt which will help improve financial flexibility. Employing this best practice for recurring capital expenditures ensures a strong foundation for financing the management of capital assets thus putting the City in compliance with the recommendations of the bond rating agencies and putting the City on a path to a AAA bond rating.

- **Additional funding for Alley Repairs** – **Allocate \$1,000,000**

The City's alley ways are in critical need of repairs. Many of the City's alleys retain water (after rains), are laden with pot holes, and are not easily navigable. The condition of many of the City's alleys have been a source of continued complaints from citizens.

- **Additional funding for Grass Cutting** – **Allocate \$700,000**

There has been tremendous demand for grass cutting services throughout the City and this service, recently, has been a source of complaints from citizens as well as Richmond Public Schools. Prior reductions in funding have limited the City's ability to perform this service at an acceptable level. Additional funding will help meet the demands.

*Note very minor discrepancies may exist due to rounding

City of Richmond
Finance & Administration Portfolio
FY2017 Second Quarter Report

Sources

	FY2017					Variance: Amended Budget vs. Preliminary Year End surplus(shortfall)	
	FY2017 Budget	FY2017 Amended Budget	Collections as of 12/30/2016	FY2017 Year End Projection			
Revenue from Local Sources							
General Property Taxes							
Machinery & Tools Taxes	15,022,974	15,022,974	120,052	14,522,721	(500,253)		97%
Penalties and Interest- Interest	2,340,592	2,340,592	556,898	3,563,926	1,223,334		152%
Penalties and Interest- Penalty	4,759,464	4,759,464	742,236	3,764,809	(994,655)		79%
Personal Property Taxes- Current	29,954,231	29,954,231	(192,723)	29,026,909	(927,322)		97%
Personal Property Taxes- Delinquent	9,899,653	9,899,653	5,757,895	10,557,895	658,242		107%
Real and Personal Public Service Corporation Property Taxes- Personal Property Current	1,605,448	1,605,448	0	2,976,441	1,370,993		185%
Real and Personal Public Service Corporation Property Taxes- Personal Property Delinquent	998,543	998,543	108,665	1,696,077	697,534		170%
Real and Personal Public Service Corporation Property Taxes- Real Property Current	11,367,129	11,367,129	109,345	11,302,740	(64,389)		99%
Real Property Taxes- Current	231,999,451	231,999,451	27,522,406	229,547,281	(2,452,170)		99%
Real Property Taxes- Delinquent	9,115,548	9,115,548	5,137,110	10,061,074	945,526		110%
Total General Property Taxes	317,063,033	317,063,033	39,861,884	317,019,873	(43,160)		100%
Other Local Taxes							
Admission Taxes	3,302,840	3,302,840	1,032,833	3,058,894	(243,946)		93%
Bank Stock Taxes	9,726,022	9,726,022	3,050	9,531,502	(194,520)		98%
Business Licenses Taxes	34,869,264	34,869,264	503,530	34,470,316	(398,948)		99%
Consumer Utility Taxes	17,565,951	17,565,951	5,462,527	17,676,830	110,879		101%
Local Sales & Use Tax	33,503,668	33,503,668	10,965,997	33,769,166	265,498		101%
Motor Vehicle Licenses	6,952,716	6,952,716	944,289	7,252,716	300,000		104%
Other Local Taxes	639,845	639,845	147,084	600,671	(39,174)		94%
Prepared Food Taxes	34,491,077	34,491,077	13,682,877	35,881,770	1,390,693		104%
Short-Term Rental Tax	99,692	99,692	36,892	68,112	(31,580)		68%
Transient Lodging Taxes	6,056,982	6,056,982	3,163,218	8,483,035	2,426,053		140%
Total Other Local Taxes	147,208,057	147,208,057	35,942,298	150,793,012	3,584,955		102%
Permits, Privilege Fees, and Regulatory Licenses							
Permits and Other Licenses	7,345,532	7,345,532	2,963,671	7,279,397	(66,135)		99%
Total Permits, Privilege Fees, and Regulatory Licenses	7,345,532	7,345,532	2,963,671	7,279,397	(66,135)		99%
Fines & Forfeitures							
Fines & Forfeitures	0	0	85,241	0	0		#DIV/0!
Total Fines & Forfeitures	0	0	85,241	0	0		#DIV/0!
Revenue from Use of Money and Property							
Revenue from Use of Money	5,943,231	5,943,231	286,221	5,943,231	0		100%
Revenue from Use of Property	413,393	413,393	128,666	589,573	176,180		143%
Total Revenue from Use of Money and Property	6,356,624	6,356,624	414,887	6,532,804	176,180		103%
Charges for Services							
Charges for Finance	97,612	97,612	213,488	426,976	329,364		437%
Charges for Fire and Rescue Services	567,109	567,109	37,174	68,505	(498,604)		12%
Charges for Information Technology	424,596	424,596	6,765	67,650	(356,946)		16%
Charges for Law Enforcement and Traffic Control	147,981	147,981	52,417	147,981	0		100%
Charges for Library	88,403	88,403	25,561	88,814	411		100%
Charges for Maintenance of Highways, Streets, Bridges, and Sidewalks	3,000	3,000	700	2,400	(600)		80%
Charges for Other Protection	81,519	81,519	57,857	115,000	33,481		141%
Charges for Parks and Recreation	124,820	124,820	40,836	79,625	(45,195)		64%
Charges for Planning and Community Development	59,084	59,084	21,956	66,250	7,166		112%
Charges for Sanitation and Waste Removal	16,071,635	16,071,635	4,112,975	16,071,635	0		100%
Court Costs	5,932,706	5,932,706	2,590,186	6,729,513	796,807		113%
Other	9,347	9,347	4,129	8,682	(665)		93%
Total Charges for Services	23,607,812	23,607,812	7,164,044	23,873,031	265,219		101%

Sources

	FY2017					Variance: Amended Budget vs.	
	FY2017 Budget	FY2017 Amended Budget	Collections as of 12/30/2016	FY2017 Year End Projection	Preliminary Year End surplus(shortfall)		
Miscellaneous Revenue							
Miscellaneous	1,556,807	2,322,258	887,254	2,384,789	62,531		103%
Payments in Lieu of Taxes from Enterprise Activities	27,994,386	27,994,386	961,526	27,838,412	(155,974)		99%
Total Miscellaneous Revenue	29,551,193	30,316,644	1,848,780	30,223,201	-93,443		100%
Recovered Costs							
Recovered Costs	7,449,649	7,449,649	2,136,096	7,753,336	303,687		104%
Total Recovered Costs	7,449,649	7,449,649	2,136,096	7,753,336	303,687		104%
Revenue from Local Sources Total	538,581,900	539,347,351	90,416,901	543,474,654	4,127,303		101%
Other Financing Sources							
Non-Revenue Receipts							
Insurance Recovery	5,065,344	5,065,344	75,776	5,423,785	358,441		107%
Total Non-Revenue Receipts	5,065,344	5,065,344	75,776	5,423,785	358,441		107%
Revenue from Other Financing Sources Total	5,065,344	5,065,344	75,776	5,423,785	358,441		107%
Revenue from the Commonwealth							
Non-Categorical Aid							
Auto Rental Tax	997,443	997,443	234,908	1,295,661	298,218		130%
Communications Sales and Use Tax	16,389,389	16,389,389	5,326,810	16,198,575	(190,814)		99%
Miscellaneous Non-Categorical Aid	373,000	373,000	180,264	370,500	(2,500)		99%
Mobile Home Titling Taxes	6,559	6,559	5,478	6,000	(559)		91%
Personal Property Tax Reimbursement	16,708,749	16,708,749	1,618,469	16,708,749	0		100%
Rolling Stock Tax	261,872	261,872	22,873	145,000	(116,872)		55%
Tax on Deeds	752,013	752,013	230,795	990,944	238,931		132%
Total Non-Categorical Aid	35,489,025	35,489,025	7,619,597	35,715,429	226,404		101%
Shared Expenditures (Categorical)							
State Shared Expenses- City Treasurer	137,716	137,716	57,859	139,469	1,753		101%
State Shared Expenses- Commonwealth Attorney	3,168,322	3,168,322	1,288,648	3,200,931	32,609		101%
State Shared Expenses- Finance	779,542	779,542	305,066	743,349	(36,193)		95%
State Shared Expenses- General Registrar	74,130	74,130	0	74,917	787		101%
State Shared Expenses- Sheriff	16,483,372	16,483,372	5,916,261	15,282,800	(1,200,572)		93%
State Shared Expenses- Welfare and Social Services	28,058,241	28,058,241	11,005,508	28,121,396	63,155		100%
Total Shared Expenditures (Categorical)	48,701,323	48,701,323	18,573,342	47,562,862	(1,138,461)		98%
Categorical Aid							
Education	26,328,770	26,328,770	8,211,725	25,461,412	(867,358)		97%
Library	170,000	170,000	4,878,646	172,540	2,540		101%
Public Safety	18,359,246	18,359,246	8,494,085	18,257,784	(101,462)		99%
Public Works	26,286,871	26,286,871	13,332,933	26,653,374	366,503		101%
Welfare and Social Services	13,957,646	13,957,646	6,004,457	13,914,864	(42,782)		100%
Total Categorical Aid	85,102,533	85,102,533	40,921,845	84,459,974	(642,559)		99%

Sources

	FY2017					Variance: Amended Budget vs. Preliminary Year End surplus(shortfall)	
	FY2017 Budget	FY2017 Amended Budget	Collections as of 12/30/2016	FY2017 Year End Projection			
<i>PILOT (Payments in Lieu of Taxes)</i>							
Service Charges	3,329,992	3,329,992	484,291	3,720,218	390,226	112%	
Total PILOT (Payments in Lieu of Taxes)	3,329,992	3,329,992	484,291	3,720,218	390,226	112%	
Revenue from the Commonwealth Total							
	172,622,873	172,622,873	67,599,076	171,458,483	-1,164,390	99%	
Revenue from the Federal Government							
<i>Categorical Aid</i>							
Social Services	725,000	725,000	27,843	50,000	(675,000)	7%	
Total Categorical Aid	725,000	725,000	27,843	50,000	(675,000)	7%	
Revenue from the Federal Government Total							
	725,000	725,000	27,843	50,000	-675,000	7%	
Utilities							
<i>Utilities</i>							
Utilities	64,000	64,000	26,926	64,000	0	100%	
Total Utilities	64,000	64,000	26,926	64,000	0	100%	
Revenue from Utilities Total							
	64,000	64,000	26,926	64,000	0	100%	
Grand Total:							
	717,059,117	717,824,568	158,146,522	720,470,922	2,646,354	100%	

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.

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Uses

Agency	FY 2017 Adopted Budget	FY 2017 Current Budget	Expenditures through Dec. 31st	FY 2017 Year- End Projection	Variance: Current vs Projection surplus/(shortfall)	
Culture & Recreation						
Library	5,492,382	5,474,107	2,214,055	5,407,210	66,897	98.8%
Parks Rec	17,533,495	17,533,494	8,674,973	17,347,185	186,309	98.9%
Debt						
Debt	66,238,021	66,238,021	38,306,133	64,488,021	1,750,000	97.4%
Education						
RPS	177,850,679	177,850,679	44,462,670	176,983,321	867,358	99.5%
General Government						
Assessor	3,123,355	3,123,355	1,879,900	2,856,397	266,958	91.5%
Auditor	1,902,628	1,902,628	732,418	1,915,696	(13,068)	100.7%
Budget	1,258,226	1,258,226	530,168	1,247,898	10,328	99.2%
Chief Admin Officer	1,190,060	1,175,060	463,893	1,168,183	6,877	99.4%
City Attorney	2,681,661	2,681,661	1,238,477	2,669,599	12,062	99.6%
City Clerk	861,719	859,987	332,731	853,608	6,379	99.3%
City Council	1,308,232	1,308,232	575,846	1,384,433	(76,201)	105.8%
City Treasurer	130,201	130,201	86,554	182,247	(52,046)	140.0%
Council Chief of Staff	1,164,839	1,161,845	479,652	1,126,320	35,525	96.9%
Econ & Comm Dev	4,076,795	3,564,222	1,415,572	3,550,091	14,131	99.6%
Finance	24,759,006	24,632,335	11,445,653	24,439,249	193,086	99.2%
General Registrar	1,905,967	1,905,967	956,047	1,980,331	(74,364)	103.9%
Human Resources	2,899,103	2,890,523	1,196,658	2,778,720	111,803	96.1%
Info Tech	18,408,807	18,385,085	7,686,586	18,180,935	204,150	98.9%
Mayor's Office	998,807	996,300	381,558	996,291	9	100.0%
Minority Business Development	661,731	661,731	267,681	647,769	13,962	97.9%
Planning & Dev Review	10,001,956	9,968,340	4,151,743	9,336,463	631,877	93.7%
Press Secretary	527,512	525,890	218,834	541,650	(15,760)	103.0%
Procurement Serv.	1,156,879	1,154,135	354,851	1,030,078	124,057	89.3%
Highways, Streets, Sanitation & Refuse						
Public Works	61,413,070	61,329,034	23,835,040	61,699,223	(370,189)	100.6%
Human Services						
Justice Services	8,894,887	8,894,887	3,845,568	9,219,453	(324,566)	103.6%
Office of DCAO/HS	1,816,721	1,812,808	695,317	1,740,904	71,904	96.0%
RCHI - Health	3,781,490	3,781,490	1,890,745	3,781,490	-	100.0%
Social Services	56,107,739	55,985,895	23,922,617	55,123,831	862,064	98.5%
Office of Community Wealth Building	1,280,355	1,280,355	734,812	1,448,446	(168,091)	113.1%
Non-Departmental						
Non-Dept	47,051,992	47,584,565	17,146,876	49,907,923	(2,323,358)	104.9%
Public Safety & Judiciary						
Animal Control	1,645,929	1,645,929	751,755	1,650,451	(4,522)	100.3%
Emergency Communications	4,396,961	4,396,961	1,929,913	4,500,699	(103,738)	102.4%
Fire & Emer Svcs	46,919,046	46,793,185	21,606,651	49,052,649	(2,259,464)	104.8%
J & DR Court	231,028	231,028	98,319	231,288	(260)	100.1%
13th District Court Services Unit	220,722	220,722	64,300	220,594	128	99.9%
Jail/Sheriff	38,959,864	38,825,711	16,565,881	36,347,598	2,478,113	93.6%
Judiciary - Adult Drug Ct	559,165	559,165	274,211	557,714	1,451	99.7%
Judiciary - Cir Ct	3,684,664	3,684,664	1,717,328	3,730,111	(45,447)	101.2%
Judiciary - CW Atty	6,112,565	6,112,565	2,752,418	5,920,583	191,982	96.9%
Judiciary - Other	290,624	290,624	151,295	287,251	3,373	98.8%
Police	87,560,234	89,012,956	40,940,895	88,392,367	620,589	99.3%
Grand Total	717,059,117	717,824,568	286,976,596	714,924,269	2,900,299	99.6%
<i>*All Projections are based on data collected at a point in time.</i>						
<i>*All Projections could change as more data becomes available at year end closing.</i>						

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**Note very minor discrepancies may exist due to rounding*

FY2017 Second Quarter Revenue Projections

Below are explanations of variances within major accounts in the revenue projections. Explanations are offered for variances that are +/- 3% or +/- \$250,000. The current forecast projects revenues to be more than the FY2017 budget by \$2,646,354 or 0.37%. The explanations are in order as they appear in the prior table.

Machinery & Tools Taxes

Projected Revenue Shortfall: \$500k

Current FY2016 unaudited actuals have collections for this source at just over \$14m, an increase of over \$1m compared to FY2015. The FY2017 budget accounted for higher assessed values based on increased assessment efforts. However, at this time it is not projected that these higher assessed values will fully materialize based on current assessment efforts.

Penalties and Interest- Interest

Projected Revenue Surplus: \$1.2m

Current FY2016 unaudited actuals have collections for this source at \$3.49m. Based on current trends in FY2017, this revenue source will come in \$70k higher than the FY2016 amount based on continued collection efforts by the Department of Finance.

Penalties and Interest- Penalty

Projected Revenue Shortfall: \$995k

Current FY2016 unaudited actuals have collections for this source at \$4.5m. Based on current trends in FY2017, current collections are down 50% compared to FY2016. Until further data becomes available, this source is conservatively estimated to be lower than FY2016, but the budget shortfall is anticipated to be fully offset by interest revenue.

Personal Property Taxes- Current

Projected Revenue Shortfall: \$927k

Current unaudited FY2016 actuals have this source at \$28.5m. FY2016 growth over FY2015 is at 3%. Based on current forecasts, it is anticipated that this revenue source will grow by 2% in FY2017. This will result in an increase for FY2017 versus FY2016, but not to the budgeted amount.

Personal Property Taxes- Delinquent

Projected Revenue Surplus: \$658k

Collections for this source are 43% higher at the period in FY2016. For the remainder of this fiscal year it is assumed that this rate will continue based on increased collection efforts resulting in a surplus of \$658k as compared to the FY2017 budget.

Real and Personal Public Service Corporation Property Taxes - Personal Property Current **Projected Revenue Surplus: \$1.4m**

Preliminary unaudited FY2016 actuals have this source at \$3.3m, which is down from \$5m in FY2015. In FY2017 it is forecasted there will be a small decrease in this source to \$3m until more data becomes available.

Real and Personal Public Service Corporation Property Taxes - Personal Property Delinquent **Projected Revenue Surplus: \$698k**

Preliminary unaudited FY2016 actuals have this source at \$1.59m, which is slightly above the FY2015 actual of \$1.5m. In FY2017 it is forecasted there will be an increase in this source to \$1.7m until more data becomes available.

Real Property Taxes- Current**Projected Revenue Shortfall: \$2.45m**

This source is forecasted to decrease compared to the FY2017 budget due to an updated land book from the Interim City Assessor whose methodologies for the land book calculations are more conservative compared to his predecessor. It is hopeful that in subsequent quarters that this revenue source will increase after discussions with the Interim Assessor.

Real Property Taxes- Delinquent**Projected Revenue Surplus: \$945k**

Unaudited FY2016 actuals for this source are \$9.7m, an increase of \$600k over FY2015. In FY2017, it is forecast that this source will again increase based on current collection trends.

Admissions Taxes**Projected Revenue Shortfall: \$244k**

Unaudited FY2016 actuals for this source are \$2.9m, an increase of \$500k over FY2015. Current year-to-date collections are 6% higher than FY2016. It is forecast that this growth will continue throughout the remainder of the fiscal year resulting in an increase in this source to \$3.05m. However, this growth will not match the current FY2017 budget which assumed a higher percentage growth over FY2016.

Business License Taxes**Projected Revenue Shortfall: \$399k**

Unaudited FY2016 actuals for this source are \$33.6m, an increase of \$1m over FY2015. Growth for this source has averaged over 2%, and in FY2017 a further increase of 2.73% is estimated, bringing the forecast to \$34.5m. However, the growth forecast will not be high enough to match the FY2017 budget.

Local Sales & Use Tax**Projected Revenue Surplus: \$266k**

Preliminary (unaudited) figures for this revenue source has FY2016 revenue at \$33.7m. The first six months of FY2017 have collections down 7% compared to FY2016 but with increasing economic confidence by consumers, forecasts for this revenue suggest slight growth in FY2017.

Motor Vehicle Licenses**Projected Revenue Surplus: \$300k**

The FY2017 budget was conservatively based on an increase in vehicle license fees across multiple categories. One example was for vehicles under 4001 lbs from \$23 to \$30. However, the City now matches the State's fee which in the above example is \$33. This increase to match the State is conservatively expected to generate an extra \$300k for this source.

Other Local Taxes**Projected Revenue Shortfall: \$39k**

This shortfall is primarily attributed to the City's Utility Pole & Conduit taxes. Preliminary FY2016 actuals show revenue of \$69k for this source. However, FY2017 is already showing actuals of \$92k. As such, it is anticipated that this source will exceed FY2016, but not the budgeted FY2017 amount.

Prepared Food Taxes**Projected Revenue Surplus: \$1.4m**

Preliminary (unaudited) FY2016 revenue for this source is \$35.5m in FY2016. Continuing into FY2017 this source has increased 1.2% over FY2016. It is forecast that this growth will continue suggesting growth to just under \$35.9m in FY2017.

Short-Term Rental Tax**Projected Revenue Shortfall: \$32k**

FY2015 revenue for this source was \$82k, whilst FY2016 (unaudited) revenues show a further decrease to \$79k. For FY2017, revenues are projected to decrease further to \$68k based on current trends.

Transient Lodging Taxes**Projected Revenue Surplus: \$2.4m**

As stated in the FY2016 fourth quarter report, revenues for several months were not posted within the correct time period. As such, when developing the FY2017 budget, this information was not available and skewed the budget for this revenue source in FY2017. Since this information is now available, the revenue forecast has been increased to show a modest continued growth in this revenue source, but with a large positive variance to budget of \$2.4m.

Revenue from Use of Property**Projected Revenue Surplus: \$176k**

This source is forecasted to increase due to the collection of lease revenue from the Port of Richmond.

Charges for Finance**Projected Revenue Surplus: \$329k**

This revenue source has fluctuated over the years. With the new \$30 administrative delinquent fee, this source is expected to significantly exceed the budget as the anticipated revenue was budgeted in another account. For FY2017 this is expected to generate \$427k in revenue.

Charges for Fire and Rescue Services**Projected Revenue Shortfall: \$499k**

The FY2017 Amended budget adopted fee increases for false alarm services projecting revenue to total \$567,109. However, the new fee schedule will not be implemented until a new contract with the vendor is formulated. The FY2017 Amended revenue amount is comprised of the new fee schedule. Projected collections are on target with previous fiscal years, before the new fee schedule was formulated.

Charges for Information Technology**Projected Revenue Shortfall: \$357k**

The Department of Information Technology is projecting a decrease in outside print job revenue (due to a trending decline) and a decrease in revenue associated with outside mailings.

Charges for Maintenance of Highways, Streets, Bridges, and Sidewalks **Projected Revenue Shortfall: \$1k**

This revenue source has generated varying amounts in prior years. Based on this trend and prior, FY16, year's actuals, this source is conservatively projected at a very minor shortfall.

Charges for Other Protection**Projected Revenue Surplus: \$33k**

The Department of Animal Care and Control anticipates increasing this revenue source due to a new program enabling animal control officers to sell licenses in the field. The department also plans on increasing promotions associated with adoption specials which is also aiding in the increase in this source of revenue.

Charges for Parks and Recreation: **Projected Revenue Shortfall: \$45k**

This source is expected to decrease compared to FY2017 budget due to picnic shelter revenues no longer being included in the general fund, a decrease in the number of participating and active athletic leagues, and a decrease in the number of youth participants. It is hopeful that participation will increase, however, the trend is projected to continue. Additionally, Hickory Hill, formerly used for office space, is no longer being rented. The previous tenants vacated in 2015 and the department continues to have challenges finding a replacement.

Charges for Planning and Community Development: **Projected Revenue Surplus: \$7.2k**

The increase in this revenue source – specifically partial tax exemption applications for residential and commercial properties - is due to a projected increase in applications.

Court Costs: **Projected Revenue Surplus: \$797k**

The increase in this revenue source is due to a projected increase in the number of defendants paying fines and fees associated with their court cases and increases in fees associated with real estate property deeds.

Other: **Projected Revenue Shortfall: \$1k**

The decline in this revenue source is from lower than anticipated returned check revenue in FY2017. FY2016 unaudited actuals for this source show revenue at \$8.7k. It is anticipated that this source will generate approximately the same amount in FY2017.

Recovered Costs: **Projected Revenue Surplus: \$304k**

The surplus associated with this category is due to higher than anticipated rental payments received by the City from tenants in the 730 Building on Broad Street.

Insurance Recovery: **Projected Revenue Surplus: \$358k**

Since the adoption of the FY2017 budget, the amount to be paid in FY2017 by the Department of Public Utilities has increased by \$358k due to increased insurance premiums resulting from prior year case settlements.

Auto Rental Tax **Projected Revenue Surplus: \$298k**

Unaudited FY2016 actuals project this source at just under \$1.1m. Based on current payments from the State, it is expected that this source will exceed both the budget and the prior year revenue with expected revenue of \$1.3m.

Mobile Home Titling Tax **Projected Revenue Shortfall: \$1k**

Preliminary FY2016 unaudited actuals show this source generating \$8,266 in FY2016, a decrease from FY2015 of approximately \$800. Both of these years were significantly higher than prior years. Based on trends so far in FY2017, this source is forecasted to decrease this to \$6,000, which is \$559 less than budgeted.

Rolling Stock Tax **Projected Revenue Shortfall: \$117k**

Due to timing of payments for this revenue source, it has fluctuated over the years from \$27k to \$290k. Based on the last official CAFR at the time of the FY2017 budget development, it was expected that this source would generate the budgeted amount due to prior payment trends.

However, based on FY2016 transactions, it is estimated that these fluctuations will even out and trend towards \$145k.

Tax on Deeds **Projected Revenue Surplus: \$239k**

This source is projected to bring in \$991k in FY2017, a projected surplus of \$239k, due to higher property sales activity in the City based on payment trends from the State.

State Shared Expenses- Finance **Projected Revenue Shortfall: \$36k**

This source is expected to decrease compared to the FY2017 budget due to fewer positions being reimbursed by the compensation board due to the number of vacancies within the Department of Finance. It is hopeful that as more positions are filled that this projected shortfall will disappear, but based on current trends to date, a conservative approach has been adopted.

State Shared Expenses – Sheriff **Projected Revenue Shortfall: \$1.2m**

The State Compensation Board has eliminated approximately 19 positions in the Sheriff's Office. Due to this expenditure reduction, there will be a reduction in reimbursable revenue from the Commonwealth for Sheriff related expenses.

Education: **Projected Revenue Shortfall: \$867k**

Richmond Public Schools is projected to have an \$867k shortfall in revenue that is exclusively associated with a projected reduction in State Shared Sales Tax. This revenue is a pass through from the State to the City and then to Richmond Public Schools. A reduction in State revenue corresponds to a reduction in projected expenditures for Richmond Public Schools.

Public Works: **Projected Revenue Surplus: \$367k**

The public works State Maintenance account was increased by \$366,503 based on information provided by VDOT regarding FY2017 funding.

Service Charges **Projected Revenue Surplus: \$390k**

Payment for this source comes from the State for PILOT payment. Based on current indications, this source is projected to come in above budget by \$400k.

Social Services: **Projected Revenue Shortfall: \$675k**

Revenues for this source in FY2015 were just over \$1k, with preliminary (unaudited) figures for FY2016 recognizing \$11k in revenues. The cause for this low revenue compared to prior years is being investigated, but to be conservative this revenue source has been reduced by \$675k to show a projection of \$50k in FY2017.

FY2017 Second Quarter – Expenditure Projections

Overall, the second quarter forecast shows projected expenditures trending in a positive direction, with a projected, estimated savings of \$2,900,299 or .40% of the modified budget.

It is important to note that these projections are based on data collected for FY17 as of December 31, 2016. 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 first quarter status report. Variances of +/- 3% or +/- \$250,000 are detailed below.

Debt Projected Budget Surplus: \$1.7m

Savings in Debt service of \$1.7M is attributed to the lower than budgeted variable interest rates (The Feds held off on raising rates) being paid on the City's line of credit BAN (Bond Anticipation Note) and the debt issued to fund the Leigh Street training camp project.

Richmond Public Schools Projected Budget Surplus: \$867k

Richmond Public Schools is projected to have an \$867k surplus that is exclusively associated with a reduction in State Shared Sales Tax Revenue. This revenue is a pass through from the State to the City and then to Richmond Public Schools. A reduction in State revenue corresponds to a reduction in projected expenditures for RPS.

Assessor Projected Budget Surplus: \$267k

The Assessor's Office is projected to have a \$229k surplus in personnel due to vacancy savings. Operating savings of \$38k is projected and is attributed to a currently reduced workforce i.e. less supplies, training, fleet costs, etc.

City Council Projected Budget Shortfall: \$76k

The Office of City Council is projected to have a personnel shortfall of \$79k that is attributed to the severance payouts of several employees. Minor operating savings of \$3k is projected.

City Treasurer Projected Budget Shortfall: \$52k

The Treasurer's Office is projected to have a personnel shortfall of \$52k that is attributed to the department filling a vacant position that was not funded.

City Council Chief of Staff Projected Budget Surplus: \$36k

The Office of the Council Chief of Staff is projected to have a \$134k surplus in personnel due to vacancy savings. A shortfall of \$98k in operating is projected and is attributed to the department spending on the replacement of furniture, supplies, computers and other equipment purchases.

General Registrar Projected Budget Shortfall: \$74k

The General Registrar's Office is projected to have a shortfall in personnel of \$74k that is attributed to increased personnel costs associated with several "special" elections (on January 10th and February 7th). Additional increased personnel costs are associated with precinct coverage, preparing voting equipment, and additional part time staff during the special elections.

Human Resources**Projected Budget Surplus: \$112k**

The Department of Human Resources is projected to have a surplus of \$112k that is attributed to departmental vacancies.

Planning & Development Review**Projected Budget Surplus: \$632k**

The Department of Planning & Development Review is projected to have a surplus in personnel of \$632k that is primarily attributed to departmental vacancies.

Press Secretary**Projected Budget Shortfall: \$15k**

The Press Secretary Office is projected to have a shortfall of \$15k that is attributed to the severance payment of a former employee.

Procurement Services**Projected Budget Surplus: \$124k**

The Procurement Services' Department is projected to have a surplus of \$111k in personnel that is attributed to departmental vacancies. Minor operating savings of \$13k is projected and is attributed to lower than anticipated expenditures on professional services and other discretionary operating accounts.

Public Works**Projected Budget Shortfall: \$370k**

The Department of Public Works is projected to have a personnel surplus \$628k that is attributed to departmental vacancies. Many of the vacancies however have been offset by the use of temporary positions and overtime. A projected operating shortfall of \$999k is attributed to the use of temporary (contractual) personnel to cover for vacancies. Additionally, several contracts were renewed at higher costs than budgeted and additional supplies for weather related events are projected.

Justice Services**Projected Budget Shortfall: \$325k**

The Department of Justice Services is projected to have a surplus of \$36k in personnel attributed to departmental vacancies. A projected shortfall of \$361k in operating is attributed to cost increases for the Day & Evening Reporting Center as well as cost increases in mental health services and patient medications.

Human Services**Projected Budget Surplus: \$72k**

The Office of the Deputy Chief Administrative Officer for Human Services is projected to have a surplus of \$56k in personnel due primarily to lower than anticipated temporary costs associated with the Mayor's Youth Academy. Minor operating savings of \$16k is projected.

Social Services**Projected Budget Surplus: \$862k**

The Department of Social Services is projected to have a surplus of \$1.4m in personnel which is primarily attributed to the existence of numerous vacancies and recent staff turnover. A projected operating shortfall of \$510k is projected and is attributed primarily to an increase in local costs for the comprehensive services act.

Community Wealth Building**Projected Budget Shortfall: \$168k**

The Office of Community Wealth Building is projected to have a personnel shortfall of \$237k that is associated with the department filling unfunded vacant positions. Operating savings of \$69k

is projected and attributed to administrative cost reductions within the Center for Workforce Innovation.

Non Departmental **Projected Budget Shortfall: \$2.3m**

The Non Departmental budget is projected to have a shortfall of \$2.3m, which is exclusively attributed to an anticipated increase in the payment to the Greater Richmond Convention Center Authority (GRCCA). Currently, the City allocates 100% of the collected lodging taxes to the Convention Center. The second quarter revenue projection shows a \$2.4m increase in anticipated lodging taxes that will be collected in FY17. This additional revenue is projected to be spent for GRCCA within the Non Departmental budget.

Fire and Emergency Services **Projected Budget Shortfall: \$2.3m**

The Department of Fire and Emergency Services is projected to have a shortfall of \$274k in personnel that is attributed to an increase in overtime that is associated with departmental vacancies, employee payouts, and Human Resources settlements resulting in back pay for specific employees. A shortfall of \$2m is projected in operating and is attributed to the department planning on purchasing essential safety equipment, self-contained breathing apparatuses (SCBAs), for fire fighters. The current SCBAs have reached the end of their useful life and are beginning to deteriorate. This purchase is a life/health/safety issue and is necessary to ensure the safety of employees as well as citizens.

Jail/Sheriff **Projected Budget Surplus: \$2.5m**

The Sheriff's Office is projected to have a surplus of \$2.5m in personnel that is attributed to departmental vacancies and the elimination of compensation board funded positions by the State. This projected expenditure reduction is offset by a reduction in state reimbursement.

Commonwealth Attorney **Projected Budget Surplus: \$192k**

The Commonwealth Attorney's Office is projected to have a surplus of \$192k that is attributed to departmental vacancies.

Police **Projected Budget Surplus: \$621k**

The Police department is projected to have a surplus of \$714k in personnel that is attributed to departmental vacancies. A minor operating shortfall of \$93k is projected and is attributed to the purchase of an emergency generator.