



# CITY OF RICHMOND

## INTRACITY CORRESPONDENCE

**TO:** The Honorable Mayor Levar M. Stoney  
  
The Honorable Michael Jones  
Chair of the Finance and Economic Development Committee  
  
The Honorable Members of City Council

**THROUGH:** Lincoln Saunders  
Acting Chief Administrative Officer

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

**DATE:** February 15, 2021

**RE:** Fiscal Year 2021 Second Quarter Revenue & Expenditure Projection Report

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The Fiscal Year 2021 Second Quarter Revenue and Expenditure Projection Report is provided to the Finance and Economic Development Committee to describe the City's Fiscal Year 2021 year-to-date financial performance. The report includes revenue and expenditures up-to-date through December 31, 2020 – utilizing six months of data.

It is important to note that the City continues to remain in a state of emergency due to the coronavirus pandemic. There is no definitive timeline on when the pandemic will end, nor a timeline on when citizens will return to their pre-COVID behaviors. However, what is certain is that the continuation of the pandemic will have economic implications for the City and its finances. This projection assumes that the pandemic will continue through FY2021. Subsequent reports will continue to note the assumptions regarding the duration of the pandemic as FY2021 progresses and more information becomes available.

The City has and continues to rigorously assess departmental spending and citywide revenue sources in order to determine the City's projected fiscal standing – and will continue to do so throughout the remainder of the fiscal year. A brief overview of the City's current fiscal assessment process, a summary of the status of the City's reimbursement for the pandemic as well as other costs, and finally a brief overview of the projected FY2021 general fund revenues and expenditures are all provided below. Details of the City's Second quarter projections, as well as a write up of major variances in revenues and expenditures, are provided further within the report.

## **Technical Budget and Policy Review Meetings – Overview and highlights**

City Council adopted resolution 2020-R035 which laid out a process for both City Council and Administrative staff to jointly review financial data and reports on a monthly basis and make recommendations for any necessary amendments to the City's FY2021 budget to address needed changes in revenue projections and appropriations for expenditures in response to COVID-19. Through the Second quarter, there have been an additional 3 Technical Budget Review meetings. It was concluded (prior to the generation of this report) that there was not enough financial information that would be useful in the analysis of the FY2021 budget. However, the committee noted in its December meeting that the Administration's Second quarter report will be available and will provide that assessment based on updated financial information.

## **Civil Unrest and Damages to City Property**

The City of Richmond, through its Office of Risk Management, files claims for expenses related to damages of City property, as well as other costs associated with civil unrest and other events. The Second quarter projection continues to include approximately \$5 million in estimated insurance recovery revenue.

Additionally, the City is projected to receive \$2.9M in reimbursement for civil unrest for the period of 5/29 through 8/30 by the State, per the Department of Fire and EMS.

## **CARES Reimbursement**

Ordinance 2020-185 authorized the acceptance and appropriation of \$40,209,306 from the State as part of the State's allocation of funds from the federal Coronavirus Relief Fund for the purpose of funding necessary expenditures incurred due to the public health emergency with respect to the COVID-19 pandemic. Per financial reporting guidance received in July of 2020, it was concluded that these Coronavirus Aid, Relief, and Economic Security (CARES) Act funds should be included in the City's general fund budget. As a result, and per Ordinance 2020-185, these funds were added to the Department of Fire and Emergency Services' general fund budget.

At this time, the City has received a total of \$40,209,306 in CARES funding. The Second quarter projections indicate that approximately \$37,186,080 is anticipated to be expended by the City by the deadline of December 30, 2020, and subsequently reimbursed by CARES funds in FY2021. This amount is included in both the revenue and expenditure projections. In FY2020, however, approximately \$3,023,226 was also spent from the City's allocation of CARES funds. Similarly, \$3,023,226 in CARES related reimbursement (revenue) was accrued back to FY2020 to offset those expenditures. Between FY2020 and FY2021 it is anticipated that the City will expend and be reimbursed for the full, current CARES allocation of \$40,209,306.

It is important to note that the City Administration has developed a spend plan associated with the current CARES act allocation. **This spend plan indicates that there is a need for funding in excess of the current allocation of \$40,209,306.**

Note that there are some costs associated with COVID-19 that are not eligible for reimbursement for CARES. Some of those costs are being reviewed by the Department of Fire and Emergency Services for consideration of reimbursement, if applicable, through FEMA.

### **FEMA reimbursement**

State, local, tribal, and territorial government entities and certain private non-profit organizations can apply for Public Assistance (PA) reimbursements for emergency protective measures taken during the pandemic. FEMA assistance will be provided at a 75 percent federal cost share. Under the COVID-19 Emergency Declaration, FEMA may provide assistance for emergency protective measures that fall within their programmatic guidelines. Some of these costs overlap with the CARES program, however the CARES program allows for more costs that can be applied as opposed to the FEMA reimbursement.

Per Fire and Emergency Services, there is an updated projection of **an estimated \$257,856** that will be submitted to FEMA for requested reimbursement. This submission represents costs that mostly were incurred prior to June 30<sup>th</sup>. Based on a December submission, it is anticipated that the City will receive an estimated \$193,392 (75%) in reimbursement – which is likely to be received during the February/March timeframe. It's probable that the City will review non-covered COVID-19 related costs and will submit another request for reimbursement. Such a request will be included in future quarterly reports.

### **General Fund Revenues**

General Fund Revenues are currently forecast to be less than budget with a preliminary projected shortfall of \$11,125,636. There are several sources of revenue that are projected to come in under budget to include: Personal Property Taxes (current), Admissions Taxes, Prepared Food (Meals) Taxes, Lodging Taxes, and Permits and Other Licenses. There are a few sources of revenue that are projected to be in excess of the budget but these sources are not projected, in total, to exceed the sources that are currently projected to be unfavorable to budget.

Although, this forecast utilizes just 6 months of data, the Second quarter projections reflects the implications of the continuation of the pandemic to municipal finances.

### **General Fund Expenditures**

General Fund Expenditures are trending relatively flat, with a total preliminary, projected savings of \$1,753,658. This preliminary, projected savings represents just 0.22% of the total general fund budget. The projected expenditure savings in the General Fund is primarily related to the following departments: Debt service, Non-Departmental (which corresponds to a commensurate reduction in projected revenues), and the Department of Fire and Emergency Services – CARES Act funding (Lower reimbursable expenditures in FY21 due to accruing a portion of the total project costs back to FY20). Specific details of these departmental variances as well as other departmental variances are explained further in the report.

A summary of the Second Quarter 2021 report is provided below. Details of the report as well as a write up of variances are provided on the next several pages.

<b>Summary of FY2021 Projected Balances as of 12/31/2020</b>	
<b>Projected Total FY2021 General Fund Revenue</b>	<b>\$775,169,845</b>
<b>Projected Total FY2021 General Fund Expenditures</b>	<b>\$784,541,823</b>
<b>Total: FY2021 Projected Budgetary Surplus/(Shortfall)</b>	<b>(\$9,371,977)</b>

\*Note very minor discrepancies may exist due to rounding

**City of Richmond**  
**Finance & Administration Portfolio**  
**FY2021 Second Quarter Report**

**Sources**

Internal Work Papers - City of Richmond, VA Department of Budget and Strategic Planning DRAFT FY2021 2nd Quarter Status Report and Forecast - 50.00% Year Past						
	FY2021 Budget	FY2021 Amended Budget	FY2021 Collections as of 12/31/2020	FY2021 2nd Quarter Projection	Variance: Amended Budget vs. Preliminary Year End surplus	
<b>Revenue from Local Sources</b>						
<b>General Property Taxes</b>						
Machinery & Tools Taxes	13,399,915	13,399,915	72,012	13,867,682	467,767	103%
Penalties and Interest- Interest	2,969,891	2,969,891	1,388,195	3,524,872	554,981	119%
Penalties and Interest- Penalty	2,786,614	2,786,614	1,132,247	2,716,949	(69,666)	97%
Personal Property Taxes- Current	37,262,847	37,262,847	2,483,578	35,103,669	(2,159,178)	94%
Personal Property Taxes- Delinquent	6,459,963	6,459,963	2,448,602	6,534,594	74,630	101%
Real and Personal Public Service Corporation Property Taxes- Personal Property Current	9,451,418	9,451,418	347,609	9,111,449	(339,969)	96%
Real and Personal Public Service Corporation Property Taxes- Personal Property Delinquent	497,012	497,012	(691,932)	497,012	-	100%
Real and Personal Public Service Corporation Property Taxes- Real Property Current	2,205,476	2,205,476	(79,347)	2,288,895	83,419	104%
Real Property Taxes- Current	301,250,623	301,250,623	20,110,760	304,601,178	3,350,555	101%
Real Property Taxes- Delinquent	11,629,380	11,629,380	4,601,476	10,803,821	(825,559)	93%
<b>Total General Property Taxes</b>	<b>387,913,139</b>	<b>387,913,139</b>	<b>31,813,199</b>	<b>389,050,120</b>	<b>1,136,981</b>	<b>100%</b>
<b>Other Local Taxes</b>						
Admission Taxes	2,405,941	2,405,941	71,480	772,563	(1,633,378)	32%
Bank Stock Taxes	9,996,071	9,996,071	-	9,418,200	(577,871)	94%
Business Licenses Taxes	31,448,626	31,448,626	848,248	31,014,372	(434,254)	99%
Cigarette Tax	2,755,000	2,755,000	1,738,586	3,248,132	493,132	118%
Consumer Utility Taxes	18,316,946	18,316,946	4,968,054	18,657,086	340,140	102%
Local Sales & Use Tax	35,416,829	35,416,829	12,568,961	36,359,051	942,222	103%
Motor Vehicle Licenses	6,857,458	6,857,458	1,540,115	6,522,334	(335,124)	95%
Other Local Taxes	510,689	510,689	409,292	1,140,037	629,348	223%
Prepared Food Taxes	33,468,822	33,468,822	10,080,267	24,330,437	(9,138,385)	73%
Prepared Food Taxes - School Facilities	8,524,681	8,524,681	2,567,496	6,197,087	(2,327,594)	73%
Short-Term Rental Tax	125,153	125,153	30,210	83,025	(42,128)	66%
Transient Lodging Taxes	8,312,409	8,312,409	1,677,354	3,600,000	(4,712,409)	43%
<b>Total Other Local Taxes</b>	<b>158,138,625</b>	<b>158,138,625</b>	<b>36,500,064</b>	<b>141,342,325</b>	<b>(16,796,300)</b>	<b>89%</b>
<b>Permits, Privilege Fees, and Regulatory Licenses</b>						
Animal Licenses	-	-	1,014	-	-	-
Permits and Other Licenses	15,885,147	15,885,147	5,305,286	13,661,447	(2,223,700)	86%
<b>Total Permits, Privilege Fees, and Regulatory Licenses</b>	<b>15,885,147</b>	<b>15,885,147</b>	<b>5,306,300</b>	<b>13,661,447</b>	<b>(2,223,700)</b>	<b>86%</b>
<b>Fines &amp; Forfeitures</b>						
Fines & Forfeitures	-	-	2,497	4,443	4,443	-
<b>Total Fines &amp; Forfeitures</b>	<b>-</b>	<b>-</b>	<b>2,497</b>	<b>4,443</b>	<b>4,443</b>	<b>0%</b>
<b>Revenue from Use of Money and Property</b>						
Revenue from Use of Money	-	-	-	-	-	-
Revenue from Use of Property	209,000	209,000	121,720	203,217	(5,783)	97%
<b>Total Revenue from Use of Money and Property</b>	<b>209,000</b>	<b>209,000</b>	<b>121,720</b>	<b>203,217</b>	<b>(5,783)</b>	<b>97%</b>
<b>Charges for Services</b>						
Charges for Finance	801,192	801,192	320,236	801,192	-	100%
Charges for Fire and Rescue Services	158,623	158,623	68,180	152,000	(6,623)	96%
Charges for Information Technology	16,805	16,805	2	800	(16,005)	5%
Charges for Law Enforcement and Traffic Control	212,000	212,000	47,602	95,204	(116,796)	45%
Charges for Library	23,750	23,750	474	800	(22,950)	3%
Charges for Maintenance of Highways, Streets, Bridges, and Sidewalks	-	-	-	-	-	-
Charges for Other Protection	111,000	111,000	57,891	103,000	(8,000)	93%
Charges for Parks and Recreation	127,122	127,122	13,862	15,580	(111,542)	12%
Charges for Planning and Community Development	47,009	47,009	14,357	63,504	16,495	135%
Charges for Sanitation and Waste Removal	17,891,033	17,891,033	8,839,966	17,891,033	-	100%
Court Costs	5,717,702	5,717,702	3,489,226	6,206,175	488,473	109%
Other	9,515	9,515	11,853	9,515	-	100%
<b>Total Charges for Services</b>	<b>25,115,751</b>	<b>25,115,751</b>	<b>12,863,650</b>	<b>25,338,803</b>	<b>223,052</b>	<b>101%</b>
<b>Miscellaneous Revenue</b>						
Miscellaneous	1,318,385	1,318,385	942,914	2,344,913	1,026,528	178%
Payments in Lieu of Taxes from Enterprise Activities	19,527,456	19,527,456	1,476,518	19,527,456	-	100%
<b>Total Miscellaneous Revenue</b>	<b>20,845,841</b>	<b>20,845,841</b>	<b>2,419,432</b>	<b>21,872,369</b>	<b>1,026,528</b>	<b>105%</b>
<b>Recovered Costs</b>						
Recovered Costs	5,522,979	5,522,979	839,985	5,211,975	(311,004)	94%
<b>Total Recovered Costs</b>	<b>5,522,979</b>	<b>5,522,979</b>	<b>839,985</b>	<b>5,211,975</b>	<b>(311,004)</b>	<b>94%</b>
<b>Revenue from Local Sources Total</b>	<b>613,630,482</b>	<b>613,630,482</b>	<b>89,866,846</b>	<b>596,684,698</b>	<b>(16,950,227)</b>	<b>97%</b>

## Sources

	FY2021 Budget	FY2021 Amended Budget	FY2021 Collections as of 12/31/2020	FY2021 2nd Quarter Projection	Variance: Amended Budget vs. Preliminary Year End surplus	
<b>Other Financing Sources</b>						
Non-Revenue Receipts						
Insurance Recovery	-	-	-	5,000,000	5,000,000	
<b>Total Non-Revenue Receipts</b>	-	-	-	<b>5,000,000</b>	<b>5,000,000</b>	
<b>Revenue from Other Financing Sources Total</b>	-	-	-	<b>5,000,000</b>	<b>5,000,000</b>	
<b>Revenue from the Commonwealth</b>						
<b>Non-Categorical Aid</b>						
Auto Rental Tax	893,846	893,846	390,558	893,846	-	100%
Communications Sales and Use Tax	14,440,680	14,440,680	5,439,459	14,440,680	-	100%
Miscellaneous Non-Categorical Aid	240,000	240,000	72,335	3,236,952	2,996,952	1349%
Mobile Home Titling Taxes	9,807	9,807	900	9,807	-	100%
Personal Property Tax Reimbursement	16,708,749	16,708,749	1,618,469	16,708,749	-	100%
Rolling Stock Tax	139,639	139,639	-	139,639	-	100%
Tax on Deeds	1,000,000	1,000,000	-	1,000,000	-	100%
<b>Total Non-Categorical Aid</b>	<b>33,432,721</b>	<b>33,432,721</b>	<b>7,521,720</b>	<b>36,429,673</b>	<b>2,996,952</b>	<b>109%</b>
<b>Shared Expenditures (Categorical)</b>						
State Shared Expenses- City Treasurer	147,425	147,425	58,214	140,408	(7,017)	95%
State Shared Expenses- Commonwealth Attorney	3,413,358	3,413,358	1,405,072	3,387,264	(26,094)	99%
State Shared Expenses- Finance	738,859	738,859	354,478	738,859	-	100%
State Shared Expenses- General Registrar	93,839	93,839	-	93,839	-	100%
State Shared Expenses- Sheriff	16,600,000	16,600,000	5,438,604	16,576,528	(23,472)	100%
State Shared Expenses- Welfare and Social Services	-	-	-	-	-	-
<b>Total Shared Expenditures (Categorical)</b>	<b>20,993,481</b>	<b>20,993,481</b>	<b>7,256,368</b>	<b>20,936,898</b>	<b>(56,583)</b>	<b>100%</b>
<b>Categorical Aid</b>						
Education	-	-	-	-	-	-
Library	185,000	185,000	49,580	210,000	25,000	114%
Public Safety	19,730,547	19,730,547	8,613,595	19,673,264	(57,283)	100%
Public Works	-	-	-	-	-	-
Welfare and Social Services	15,630,263	15,630,263	5,611,833	16,631,324	1,001,061	106%
<b>Total Categorical Aid</b>	<b>35,545,810</b>	<b>35,545,810</b>	<b>14,275,007</b>	<b>36,514,588</b>	<b>968,778</b>	<b>103%</b>
<b>PILOT (Payments in Lieu of Taxes)</b>						
Service Charges	3,698,683	3,698,683	1,601,670	3,698,683	-	100%
<b>Total PILOT (Payments in Lieu of Taxes)</b>	<b>3,698,683</b>	<b>3,698,683</b>	<b>1,601,670</b>	<b>3,698,683</b>	-	<b>100%</b>
<b>Revenue from the Commonwealth Total</b>	<b>93,670,695</b>	<b>93,670,695</b>	<b>30,654,765</b>	<b>97,579,842</b>	<b>3,909,147</b>	<b>104%</b>
<b>Revenue from the Federal Government</b>						
<b>Non-Categorical Aid</b>						
Other Federal Revenue	-	40,209,306	34,604,986	37,379,472	(2,829,834)	93%
<b>Total Non-Categorical Aid</b>	-	<b>40,209,306</b>	<b>34,604,986</b>	<b>37,379,472</b>	<b>(2,829,834)</b>	-
<b>Categorical Aid</b>						
Social Services	24,608,836	24,608,836	8,800,544	24,283,701	(325,135)	99%
<b>Total Categorical Aid</b>	<b>24,608,836</b>	<b>24,608,836</b>	<b>8,800,544</b>	<b>24,283,701</b>	<b>(325,135)</b>	<b>99%</b>
<b>Revenue from the Federal Government Total</b>	<b>24,608,836</b>	<b>64,818,142</b>	<b>43,405,530</b>	<b>61,663,173</b>	<b>(3,154,969)</b>	<b>95%</b>
<b>Utilities</b>						
<b>Utilities</b>						
Utilities	-	-	32,585	65,970	65,970	
<b>Total Utilities</b>	-	-	<b>32,585</b>	<b>65,970</b>	<b>65,970</b>	<b>0%</b>
<b>Revenue from Utilities Total</b>	-	-	<b>32,585</b>	<b>65,970</b>	<b>65,970</b>	
<b>Transfers-In</b>						
<b>Transfers-In</b>						
Transfers-In	12,140,104	12,140,104	-	12,140,104	-	100%
<b>Total Transfers-In</b>	<b>12,140,104</b>	<b>12,140,104</b>	-	<b>12,140,104</b>	-	<b>100%</b>
<b>Grand Total:</b>	<b>744,050,117</b>	<b>784,259,423</b>	<b>163,959,726</b>	<b>773,133,787</b>	<b>(11,125,636)</b>	<b>99%</b>
<b>Rolled Encumbrance (General Fund Portion) Total:</b>		<b>2,036,058</b>		<b>2,036,058</b>	-	
<b>General Fund Revenue Grand Total:</b>	<b>744,050,117</b>	<b>786,295,481</b>	<b>163,959,726</b>	<b>775,169,845</b>	<b>(11,125,636)</b>	<b>98.59%</b>

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.

\*Note very minor discrepancies may exist due to rounding

## Uses

Agency	FY 2021 Adopted Budget	FY 2021 Current Budget	Expenditures through Dec. 31st	FY 2021 Year- End Projection	Variance: Current vs Projection surplus/(shortfall)	
<b>Culture &amp; Recreation</b>						
Library	5,743,900	5,824,398	2,466,870	5,821,485	2,913	99.9%
Parks Rec	18,216,520	18,217,662	8,009,517	18,137,586	80,076	99.6%
<b>Debt</b>						
Debt	77,966,859	77,966,859	34,209,381	76,666,859	1,300,000	98.3%
<b>Education</b>						
RPS	181,694,074	181,694,074	90,847,038	181,694,074	-	100.0%
<b>General Government</b>						
Assessor	4,782,289	5,499,742	1,842,690	5,461,637	38,105	99.3%
Auditor	1,988,484	1,988,960	840,177	1,912,535	76,425	96.2%
Budget	1,420,707	1,449,795	564,098	1,385,899	63,896	95.6%
Chief Admin Officer	564,761	564,761	186,166	341,087	223,674	60.4%
City Attorney	4,042,992	4,042,992	1,695,021	3,989,433	53,559	98.7%
City Clerk	993,029	993,029	379,752	952,984	40,045	96.0%
City Council	1,488,704	1,488,704	563,403	1,546,424	(57,720)	103.9%
City Treasurer	218,888	218,889	84,402	219,440	(551)	100.3%
Citizen Service & Response	2,239,787	2,239,787	976,234	2,228,987	10,800	99.5%
Council Chief of Staff	1,321,975	1,321,975	563,490	1,220,977	100,998	92.4%
Econ Dev	2,664,858	2,669,150	898,717	2,644,933	24,217	99.1%
Finance	9,985,678	10,623,798	3,830,514	10,203,817	419,981	96.0%
General Registrar	3,930,368	4,022,993	2,008,515	4,028,759	(5,766)	100.1%
Housing & Comm Development	1,476,055	1,476,055	376,280	1,463,962	12,093	99.2%
Human Resources	4,275,416	4,282,980	1,782,691	4,184,869	98,111	97.7%
Info Tech	-	-	-	-	-	-
Inspector General	579,728	579,728	265,603	581,387	(1,659)	100.3%
Mayor's Office	1,175,676	1,175,676	527,136	1,141,677	33,999	97.1%
Minority Business Development	995,268	995,303	372,645	993,095	2,208	99.8%
Planning & Dev Review	10,722,320	10,891,674	4,685,870	10,877,683	13,991	99.9%
Press Secretary	512,851	512,851	199,016	478,012	34,839	93.2%
Procurement Serv.	1,589,853	1,608,253	686,664	1,607,738	515	100.0%
<b>Highways, Streets, Sanitation &amp; Refuse</b>						
Public Works	37,638,619	37,778,717	19,518,719	46,013,107	(8,234,390)	121.8%
<b>Human Services</b>						
Justice Services	9,499,191	9,499,190	3,703,929	9,284,520	214,670	97.7%
Office of DCAO/HS	1,321,643	1,322,395	577,227	1,296,736	25,659	98.1%
RCHI - Health	4,563,490	4,563,490	2,281,745	4,563,490	-	100.0%
Social Services	54,247,515	54,248,232	23,279,692	54,245,310	2,921	100.0%
Office of Community Wealth Building	2,165,455	2,165,974	840,686	1,837,113	328,861	84.8%
<b>Non-Departmental</b>						
Non-Departmental	84,663,220	84,664,300	32,736,038	77,310,063	7,354,237	91.3%
<b>Public Safety &amp; Judiciary</b>						
Animal Control	1,862,745	1,862,911	938,917	2,040,875	(177,964)	109.6%
Emergency Communications	5,121,004	5,219,927	2,381,163	5,360,400	(140,473)	102.7%
Fire & Emer Svcs	52,037,737	52,038,894	24,792,464	54,137,317	(2,098,423)	104.0%
**Fire & Emer Svcs - CARES Funding	-	40,209,306	34,604,985	37,186,080	3,023,226	92.5%
J & DR Court	222,995	222,995	99,483	221,465	1,530	99.3%
13th District Court Services Unit	222,352	222,352	96,422	217,291	5,061	97.7%
Jail/Sheriff	42,064,115	42,094,504	18,783,606	43,187,970	(1,093,466)	102.6%
Judiciary - Adult Drug Ct	647,643	647,643	313,736	648,515	(872)	100.1%
Judiciary - Cir Ct	4,034,893	4,034,893	1,797,805	3,995,894	38,999	99.0%
Judiciary - CW Atty	6,528,098	6,528,099	3,116,830	6,777,726	(249,627)	103.8%
Judiciary - Other	246,665	246,664	46,156	183,259	63,405	74.3%
Police	96,371,697	96,374,907	47,150,770	96,249,353	125,554	99.9%
<b>Grand Total</b>	<b>744,050,117</b>	<b>786,295,480</b>	<b>375,922,262</b>	<b>784,541,823</b>	<b>1,753,658</b>	<b>99.8%</b>

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.

\*\*Fire & Emer Svcs – CARES funding is appropriated within Fire & EMS Svcs' budget

\*Note very minor discrepancies may exist due to rounding

## **FY2021 Second Quarter Revenue Projections**

Below are explanations of variances within major accounts in the revenue projections. Explanations are offered for variances that are +/- 5% or +/- \$500,000. The current forecast projects revenues to be less than the FY2021 budget by \$11,125,636 or about (1.41%). The explanations are in order as they appear in the prior table.

### **Penalties and Interest - Interest Projected Revenue Surplus: \$555K**

Penalties and Interest – Interest was projected in the second quarter to be above the budgeted amount by \$554,981. The analysis between the Normal and COVID period showed little negative impact.

### **Personal Property Taxes - Current Projected Revenue Shortfall (\$2.2M)**

Personal Property Taxes – Current were projected in the second quarter to fall (\$2,159,178) short of the budgeted amount. This revenue stream does not generate monthly returns that allow the department to apply the COVID Projection Model Methodology and as such, historic actuals have been reduced to ensure a conservative estimate.

### **Real Property Taxes - Current Projected Revenue Surplus: \$3.4M**

Real Property Taxes – Current were projected in the second quarter to exceed the budgeted amount by \$3,350,555. To ensure a conservative approach, a reduced collection rate of 96 percent was applied to the latest valuation data available from the City Assessor’s Office.

### **Real Property Taxes – Delinquent Projected Revenue Shortfall: (\$826K)**

Real Property Taxes – Delinquent, in correlation with Real Property Taxes – Current, were projected in the second quarter to fall short of the budgeted amount by (\$825,559). As COVID places additional burdens on those already in delinquency, the projection was reduced to ensure a conservative estimate.

### **Admissions Taxes Projected Revenue Shortfall: (\$1.6M)**

Admissions Taxes, as with all ALM Taxes, were projected in the second quarter to be heavily impacted by COVID for the remainder of the fiscal year. Second quarter revenue projections showed a shortfall of (\$1,633,378). This projection reflects the output of the COVID projection model and it should be noted that this revenue stream, as a percentage of budget, is the most impacted by COVID. These projections are highly dependent on the Flying Squirrels baseball season and attendance which is currently in doubt.

### **Bank Stock Taxes Projected Revenue Shortfall: (\$578K)**

Bank Stock Taxes were projected in the second quarter to fall short of the budgeted amount by (\$577,871). This revenue source could be positively impacted by further direct stimulus as it would potentially increase the stock of cash kept in Richmond’s banks.

### **Cigarette Tax Projected Revenue Surplus: \$493K**

Cigarette tax was projected in the second quarter to exceed the budgeted amount by \$493,132. This revenue source’s recent establishment at the beginning of FY20 makes the COVID projection model unsuitable. However, month-to-month collections remain relatively stable and this surplus



was estimated by extrapolating the average of the first two months of collections (not including those months accrued back to FY20) for the remaining period.

**Local Sales and Use Tax** **Projected Revenue Surplus: \$942M**

Local Sales and Use Tax was projected in the second quarter to surpass the budgeted amount by \$942,222. While specific consumer tax sources (e.g., ALM) have been greatly reduced, Local Sales and Use Tax has not witnessed the same dramatic downturn. There are substitution impacts that lead to this projected surplus (e.g., reduction of spending on travel vs. local purchases).

**Motor Vehicle Licenses** **Projected Revenue Shortage: (\$335K)**

Motor Vehicle Licenses revenue was projected to fall short of the budgeted amount by (\$335,124). This is, again, a source of revenue which does not have monthly returns so a conservative approach was taken.

**Other Local Taxes** **Projected Revenue Surplus: \$629K**

Other Local Taxes was projected in the second quarter to be well over budgeted amounts. This is primarily due to the new Games of Skill/Gray Machines category. Based on this new revenue stream for which revenues could not be adequately budgeted, a considerable surplus is evident.

**Prepared Food Taxes** **Projected Revenue Shortfall: (\$9.1M)**

Prepared Food Taxes were projected to fall well short of the budgeted amount by (\$9,138,385). Based on the projection output of the COVID projection model, a forecast adjustment was made which places revenues at 73 percent of the FY21 budgeted amount. While many Richmond's restaurants have changed practices to adapt in light of COVID, pre COVID sales volumes are unobtainable given current constraints.

**Prepared Food Taxes – School Facilities** **Projected Revenue Shortfall: (\$2.3M)**

Prepared Food Taxes – School Facilities (similar to standard Prepared Food Taxes) were projected to fall well short of the budgeted amount by (\$2,327,594). Based on the projection output of the COVID projection model, a forecast adjustment was made. While many of Richmond's restaurants have changed practices to adapt in light of COVID, pre COVID sales volumes are unobtainable given current constraints.

**Short Term Rental Tax** **Projected Revenue Shortfall: (\$42K)**

Short Term Rental Tax was projected in the second quarter to fall short of the budgeted amount by (\$42,128). Short term rentals for equipment and machinery have been considerably reduced in the wake of COVID.

**Transient Lodging Tax** **Projected Revenue Shortfall: (\$4.7M)**

Transient Lodging Tax was projected in the second quarter to fall well short of the budgeted amount by (\$4,712,409). The Lodging Tax, along with other ALM revenues, is considerably impacted by COVID as visitors to the city for business and pleasure are diminished to historic lows.

**Permits and Other Licenses** **Projected Revenue Shortfall: (\$2.2M)**

This revenue source is projected to have a shortfall primarily due to the COVID-19 pandemic delaying a number of large commercial and residential construction projects until economic conditions are more favorable. Additionally, there is little to no revenue expected to be recognized from the Safer Richmond program also due to the current pandemic. It is not estimated for fees to be collected related to the program until the pandemic begins to stabilize.

**Charges for Information Technology** **Projected Revenue Shortfall: (\$16K)**

This revenue source represents Library Copy Center Sales which will experience a shortfall because of the lack of public access to the Copy Center due to closure of Libraries associated with COVID-19.

**Charges for Law Enforcement and Traffic Control** **Projected Revenue Shortfall: (\$117K)**

This revenue source is projected to have a shortfall due to COVID-19 closures. This revenue source primarily consists of charges for law enforcement off-duty services for various events, i.e. funeral escorts, which are not occurring due to COVID-19. Additionally, the revenues associated with Billiard & Pawn Shop permits, fingerprint requests and background checks are volatile. Activity associated with these revenues can have gains and declines in any given period.

**Charges for Library** **Projected Revenue Shortfall: (\$23K)**

This revenue source is projected to have a shortfall that is due to the non-pursuit of lost and damaged book fines due to Library closures – all due to COVID-19.

**Charges for Other Protection** **Projected Revenue Shortfall: (\$8K)**

This revenue source is expected to have a shortfall due to a reduced number of animal adoptions during the ongoing pandemic.

**Charges for Parks and Recreation** **Projected Revenue Shortfall: (\$112K)**

This revenue source is projected to have a shortfall due to facility closures and limited programming as a result of COVID-19 closures. This revenue source primarily consists of user fees for Parks facilities, athletic fields, and recreational programs.

**Charges for Planning and Community Development** **Projected Revenue Surplus: \$16K**

This revenue source is projected to have a surplus that is primarily due to the extension of the tax rehab program. This program was no longer being administered by the City Assessor's office at the close of FY20, however, City Council extended the program in FY21, until 12/31/2020. As a result of the extension, it is projected that this revenue category will generate additional revenue.

**Court Costs** **Projected Revenue Surplus: \$488K**

This revenue source is projected to have a surplus due to an increase in real estate transactions as well as several large commercial transactions, resulting in increased tax collection.

**Miscellaneous** **Projected Revenue Surplus: \$1M**

This revenue source is projected to have a surplus primarily due to an increase in the projected rebate from GRCCA. Additionally the Department of Procurement Services is anticipating an increase in the sale of surplus property. Other revenue is the result of the movement of revenue from the special fund to the general fund for the Department of Parks & Recreation per audit #2020-13.

**Recovered Costs** **Projected Revenue Shortfall: (\$311M)**

This revenue source is projected to have a shortfall due to COVID-19 closures and the cancellation of events as this revenue source includes fees charged for Richmond Police services for various special events throughout the City.

**Insurance Recovery** **Projected Revenue Surplus: \$5M**

The City of Richmond, through its Office of Risk Management, files claims for expenses related to damages of City property as well as other costs associated with civil unrest and other events. The second quarter projection includes approximately \$5 million in estimated insurance recovery revenue.

**Miscellaneous Non-Categorical Aid** **Projected Revenue Surplus: \$3M**

This revenue source is projected to have a surplus due to a projected reimbursement from the State for Civil Unrest within the City.

**State Shared Expenses – Treasurer** **Projected Revenue Shortfall: (\$7K)**

This revenue source is projected to have a shortfall due to less reimbursement coming from the state due to staff turnover.

**Categorical Aid - Library** **Projected Revenue Surplus: \$25K**

This revenue source is projected to have a surplus due to State funding formula changes which provides for an increase in categorical state aid for libraries.

**Welfare and Social Services** **Projected Revenue Surplus: \$1M**

This revenue source is projected to have a surplus due to the department projected to provide salary adjustments for current employees in order to be more competitive with other localities, as well as to bring staff closer in line with VDSS salaries which is reimbursable at 84.5%. Additionally, the department continues to carry a high number of vacancies, and as such is planning on hiring temporary staff to augment those vacancies which also generates revenue at the 84.5% rate.

**Other Federal Revenue** **Projected Revenue Shortfall: (\$2.8M)**

This revenue source is projected to have a shortfall due to the accounting of the full CARES reimbursement funding for reimbursable COVID—19 expenditures. A portion of the allocation of CARES funding (approximately \$3M) was accrued back to FY2020 to offset corresponding expenditures that occurred in FY2020. The remaining reimbursement (as well as expenditures) is projected in FY2021. Ordinance 2020-185, however, authorized the acceptance and appropriation of **the full amount** of CARES reimbursement i.e. \$40,209,306 in FY2021. As a result of accruing back the estimated amount of reimbursement for FY2020 related

expenditures and having the full reimbursement appropriated in FY2021, a projected shortfall in revenues relative to the budget is anticipated. However, this will also be offset by a corresponding savings within the Department of Fire and Emergency Services (due to having an estimated \$3M in expenditures accrued to FY2020). Also included in this account is an estimated reimbursement of \$193k from FEMA for allowable costs that are not covered by CARES funding.

## **FY2021 Second Quarter – Expenditure Projections**

Overall, the Second quarter forecast shows projected expenditures trending relatively flat – in total - with a projected, estimated savings of \$1,753,658 or 0.22% of the modified budget.

**It is important to note that these projections are based on data collected for FY21 as of December 31, 2020. As a result, these projections could change as more data becomes available throughout the fiscal year. Below are explanations of major variances in the Second quarter expenditure projections.** The explanations are in order as they appear in the Second quarter status report. Variances of +/- 5% or +/- \$500,000 are detailed below.

### **Debt Projected Budget Surplus: \$1.3M**

The General Fund Transfer to Debt Service is projected to have a surplus of \$1.3M that is the result of the City issuing and closing on its \$153.2 million Series 2020A & B GO Bond financing which resulted in historically low GO Bond interest rates on the new money portion of the financing (1.42% TIC) as well as, the bond transaction also included the refunding of three existing GO Bond issues at lower interest rates. We also are seeing slower than anticipated CIP spending on ongoing capital projects and historically lower than budgeted short term variable rate interest on the Line(s) of Credit (0.57% today).

### **Chief Administrative Officer Projected Budget Surplus: \$224K**

The Office of the Chief Administrative Officer is projected to have a surplus of \$165k in personnel that is attributed to the existence of vacancies. Operating savings of \$59k is projected due to decreases in membership dues and public relations expenses directly related to the vacancies in the department.

### **Council Chief of Staff Projected Budget Surplus: \$101K**

The Office of the City Council Chief of Staff is projected to have personnel savings of \$252k that is attributed to the existence of vacancies. A shortfall of \$151k in operating is projected due to anticipated usage of a consultant for executive recruiting for vacancies.

### **Press Secretary Projected Budget Surplus: \$35K**

The Office of the Press Secretary is projected to have an overall surplus of \$35k. This includes a surplus of \$21k in personnel that is attributed to the existence of a departmental vacancy as well as a projected operating savings of \$14k due to the department's reduction in discretionary spending per COVID-19.

### **Public Works Projected Budget Shortfall: (\$8.2M)**

The Department of Public Works is projected to have a shortfall of \$148k in personnel that is attributed to a high usage of overtime in the Facilities and Solid Waste areas; both directly attributed to the effects of the pandemic. An operating shortfall of \$8.1M is projected and is attributed to the following:

- \$1.8M unbudgeted expense for the monument removal;
- \$500k in additional expenses for solid waste removal (more people at home results in more residential trash and less commercial trash); and
- \$6.2M in unforeseen cleaning expenses related to city facilities.

**Office of Community Wealth Building****Projected Budget Surplus: \$329K**

The Office of Community Wealth Building is projected to have a surplus of \$315k in personnel that is attributed to the existence of vacancies. Operating savings of \$14k is projected due to lower transportation expenses for program participants because of virtual programming.

**Non-Departmental****Projected Budget Surplus: \$7.4M**

The Non-Departmental budget is currently projected to have a surplus of \$7.4M. The total projection includes projected surpluses in several accounts.

- There is a projected decrease in expenditures associated with GRCCA (\$4.7M) and the 1.5% increase in meals tax (which is tied to the construction of 3 new schools) (\$2.4M) – due to a projected decrease in both lodging and meals tax revenue, respectively;
- A savings of \$1.7k in the General Fund payment to Risk Management;
- A savings of \$50k in VHA/RNA Subsidy due to the retirement of an employee; and
- A savings of \$261k in Tax Relief for the Elderly/Disabled based on the amount of relief granted in TY2020.

**Animal Care & Control****Projected Budget Shortfall: (\$178K)**

The Department of Animal Care and Control is projected to have a shortfall of \$178k that is attributed to an increase in overtime, as well as the Department obtaining approval to fill critical vacant positions.

**Fire & Emergency Services****Projected Budget Shortfall: (\$2.1M)**

The Department of Fire and Emergency Services is projected to have a total shortfall of \$2.1M. This is attributed to an expected shortfall of \$2.9M in personnel due to increased overtime during the current pandemic and unforeseen civil unrest events (\$2.1M), increased retirement cost due to turnover (\$209k), and critical recruitments for both sworn and civilian positions (\$544k). An operating surplus of \$787k is expected and solely attributed to savings in fleet cost based on first and second quarter expenses.

**Fire & Emergency Services – CARES Funding****Projected Budget Surplus: \$3.0M**

The City received State funding in the form of Coronavirus Aid, Relief, and Economic Security (CARES) Act funds which were appropriated to a new cost center within the Department of Fire and Emergency Services. A savings of \$3M is directly related to the CARES funding reimbursement regarding COVID-19 expenses incurred in FY2020 that have since been reallocated from FY2021 back to FY2020. The City received \$40,209,306 in CARES funding but will only realize \$37,186,080 in revenue and expenses related to the FY2021 budget.

**Sheriff****Projected Budget Shortfall: (\$1.1M)**

The Sheriff's Office is projected to have a shortfall of \$1.1M in personnel that is primarily attributed to the department's projected increase in overtime related expenses. Per the Sheriff:

- Vacancies still remain high as there are currently 89 sworn vacancies. There are certain posts which are mandated by DOC that has to be manned at all times for a Direct

Supervision Facility. To ensure that all mandated posts are covered, overtime is required to ensure proper coverage for safety purposes.

The Sheriff's Office is projected to have a minor surplus of \$28K in operating.

**Judiciary - Other**

**Projected Budget Surplus: \$63K**

The Judiciary – Other is projected to have a surplus of \$63k that is primarily attributed to savings of \$35k within the Traffic Court that is associated with a decrease in public defender fees being paid due to less traffic cases being heard as a result of the re-organization of court assignments, as well as less cases being heard due to COVID-19. Additional savings is attributed to \$18k in the office of the Special Magistrate that is associated with fewer planned supplemental payouts anticipated to retain employees and lower than anticipated costs associated with the setting up of mobile offices to process caseloads during emergency events, as well as \$9k within the Civil Court associated with savings in building maintenance dollars. The remaining \$1k in savings is due to a slow-down in discretionary spending due to COVID-19.