



City of Gainesville

Office of Management and Budget

To: Cynthia W. Curry, City Manager

From: Steve Varvel, Office of Management and Budget, Acting Director

Date: August 29, 2023

RE: Fiscal Year 2023 Third Quarter Analysis of Budget Compared to Actual Revenues and Expenditures for the Period Beginning October 1, 2022 and Ending June 30, 2023 with Projections Through September 30, 2023

The purpose of this summary is to provide an update on the status of the FY 2023 General Fund budget relative to actual revenue and expenditures through the third quarter of the fiscal year and operating projections through September 30, 2023.

GENERAL FUND OVERVIEW

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

An analysis of the General Fund actual nine-month operating revenues and expenditures for the period October 1, 2022 through June 30, 2023 indicates an estimated General Fund operating budget surplus of \$5.3 million primarily driven by salary and benefits savings as result of the strategic hiring freeze initiated in the second quarter of the fiscal year. This initiative was implemented as a result of the uncertainty surrounding the General Fund Transfer formula's impact on future years. The strategic hiring freeze has provided both current year expenditure reductions and flexibility to implement departmental reductions for the upcoming fiscal year.

GENERAL FUND SUMMARY

	FY 2023 Adopted Budget	FY 2023 Q3 Actual	FY 2023 Q3 Actual as % of Adopted Budget	FY 2023 Year End Projection	Year-end Projection vs. Adopted Budget Variance (\$)	Year-end Projection vs. Amended Budget Variance (%)
Revenues	154,356,687	128,268,270	83.1%	151,669,587	(2,687,100)	-1.7%
Expenditures	154,356,687	115,520,200	74.8%	146,364,197	(7,992,490)	-5.2%
	0	12,748,070		5,305,390		

The first nine months of the fiscal year provides a clearer indication of the experience for the remainder of the fiscal year. It should be noted, that this analysis is still, however, a preliminary projection that will be updated after year-end data is available in November. Certain assumptions for both revenues and expenditures (such as seasonality) have been made in the year- end projections. Staff's continued efforts toward managing the City's resources and ongoing adjustments to line item revenues and expenditures throughout the year will impact projections as we look ahead towards the end of the fiscal year.

General Fund Operating Revenues

As of the end of the third quarter of FY 2023, \$128.3 million, or 83.1% of budgeted revenues have been collected. Property Tax revenues represent 30.8% of total budgeted revenues and represent 36.9% of the revenues received in the third quarter of the fiscal year. As of the end of the third quarter, property tax revenue collection is projected to come in lower than the adopted budget by \$182,454, or 0.4%. Total revenues through fiscal year-end are projected to be approximately \$151.7 million, \$2.7 million or 1.7% lower than the adopted budget.

GENERAL FUND REVENUES						
	FY 2023 Adopted Budget	FY 2023 Q3 Actual	FY 2023 Q3 Actual as % of Adopted Budget	FY 2023 Year End Projection	Year-end Projection vs. Adopted Budget Variance (\$)	Year-end Projection vs. Amended Budget Variance (%)
Property Taxes	47,492,732	47,310,278	99.6%	47,310,278	(182,454)	-0.4%
Other Taxes	21,176,773	13,252,948	62.6%	17,370,826	(3,805,947)	-18.0%
Licenses and Permits	10,716,129	9,646,335	90.0%	9,646,335	(1,069,794)	-10.0%
Intergovernmental	17,147,819	15,205,264	88.7%	19,044,933	1,897,114	11.1%
Charges For Services	15,392,222	10,865,893	70.6%	14,064,481	(1,327,741)	-8.6%
Fines and Forfeitures	903,184	249,921	27.7%	249,921	(653,263)	-72.3%
Miscellaneous Revenues	2,725,652	4,096,455	150.3%	5,180,637	2,454,985	90.1%
General Fund Transfers In	5,319,176	5,319,176	100.0%	5,319,176	0	0.0%
General Fund Transfer GRU	33,483,000	22,322,000	66.7%	33,483,000	0	0.0%
Use of Fund Balance	0	0	N/A	0	0	N/A
TOTAL REVENUES	154,356,687	128,268,270	83.1%	151,669,587	(2,687,100)	-1.7%

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

- Other Taxes – This category includes revenues from Local Option Gas Tax, Utility Service Taxes, Communications Service Tax, Business Tax and Payments in Lieu of Taxes. The lower than expected year-end projection of \$17.4 million is primarily driven by lower than expected revenue receipts in Utility Tax (\$3,001,177) and Combined Communication taxes (\$763,736).
- Licenses and Permits –The two primary revenues in this category are the Fire Assessment and the Residential Rental Permits. The lower projection is due to lower than expected Fire Assessment

receipts (\$392,441) and the elimination of the Residential Rental Permit Program which will reduce permit revenue by the end of the year (\$728,398).

- **Intergovernmental** – This category includes revenues from State Revenue sharing, mobile home and beverage licenses, Half-cent sales tax, Federal Department of Transportation and Metropolitan Transportation Planning Organization revenues, Automatic Aid agreement revenues, and insurance tax. The higher year-end projection of \$19 million, \$1.9 million or 11.1% above the adopted budget, is primarily driven by the recognition of a Federal Grant (\$2.7 million) that was not expected during the Fiscal Year 2023 budget cycle.
- **Charges for Services** – This category includes revenues for indirect services, recreation activities, golf course, parking fees, cemetery fees, school resource officer agreements, fire inspection fees, among others. The lower year-end projection of \$14.1 million, \$1.3 million or 8.6% lower than the adopted budget, is driven by overall lower collections as of the third quarter. Those charges for services with greater than \$100,000 impacts are:
 - Lower than expected revenue receipts in law enforcement services (\$148,125)
 - Lower than expected revenue receipts in fire services, including the Automatic Aide Agreement (\$312,554)
 - Lower than expected revenue receipts in Parking Decals Permits (\$321,381)
- **Miscellaneous Revenues** – This category includes revenues for interest earnings, rental of city property, rebates on gas tax, and other miscellaneous revenues. The higher than expected year-end projection of \$5.2 million, \$2.5 million or 90.1% higher than the adopted budget, is driven by higher than expected interest earnings of \$2.9 million as a result of the higher interest environment that exists in 2023.

General Fund Operating Expenditures

As of June 30, 2023, actual General Fund expenses were \$115.5 million or 74.8% of the adopted budget and lower than the 75% expenditure threshold for the first three quarters of the year. Year-end projections through September 30, 2023, indicate that citywide expenditures will be \$146.4 million, \$7.9 million or 5.2% lower than the adopted budget.

Departments projected to exceed budget, or with significant variances to budget in excess of 10%, or \$250,000, are driven by overtime associated with higher than expected vacancies. The two public safety departments have historically exceeded the adopted budgets for overtime so this was expected. The final reconciliation and amendment to department budgets will account for the overtime impacts in the public safety departments.

The remaining departments are projected to have personnel savings due to vacancies associated with the strategic hiring freeze initiated in the second quarter of FY 2023. In addition, prior to the hiring freeze, The City was finding it tougher to fill openings due to a very tight labor market. While personnel savings account for the majority of savings, Parks, Recreation and Cultural Affairs and Public Works have also seen a

reduction in their operating expenses as many of their operating expenses are tied to the number of employees available to deliver services.

The following table provides the General Fund expenditures detail by department. The FY 2023 department detail in the Adopted Budget column reflects the organizational restructuring implemented in FY 2023. The total overall General Fund appropriation level did not change as a result of the organizational restructuring.

GENERAL FUND EXPENDITURES						
	FY 2023 Adopted Budget	FY 2023 Q3 Actual	FY 2023 Q3 Actual as % of Adopted Budget	FY 2023 Year End Projection	Year-end Projection vs. Adopted Budget Variance (\$)	Year-end Projection vs. Amended Budget Variance (%)
City Attorney	1,598,319	1,099,962	68.8%	1,466,615	(131,704)	-8.2%
City Auditor	989,610	567,311	57.3%	756,415	(233,195)	-23.6%
City Clerk	1,513,850	1,271,864	84.0%	1,495,818	(18,032)	-1.2%
City Commission	490,582	318,066	64.8%	424,088	(66,494)	-13.6%
City Manager	2,088,569	1,157,358	55.4%	1,543,144	(545,425)	-26.1%
Communications and Marketing	1,125,481	628,680	55.9%	838,239	(287,242)	-25.5%
Equity and Inclusion	1,631,622	893,122	54.7%	1,190,829	(440,793)	-27.0%
Financial Services	3,766,414	2,583,616	68.6%	3,444,821	(321,593)	-8.5%
Fire Rescue	22,123,946	17,861,969	80.7%	23,815,959	1,692,013	7.6%
Housing and Community Development	303,376	257,312	84.8%	343,082	39,706	13.1%
Human Resources	3,083,366	1,625,938	52.7%	2,167,917	(915,449)	-29.7%
Juvenile Justice and Community Support Programs	2,424,106	1,180,462	48.7%	1,573,949	(850,157)	-35.1%
Non-Departmental	34,150,609	33,049,646	96.8%	34,150,609	0	0.0%
Office of Management and Budget	2,118,863	1,077,155	50.8%	1,436,206	(682,657)	-32.2%
Parks, Recreation and Cultural Affairs	13,767,060	8,745,210	63.5%	11,660,280	(2,106,780)	-15.3%
Police	36,721,477	26,245,226	71.5%	37,493,180	771,703	2.1%
Public Works	15,601,528	9,571,975	61.4%	12,762,633	(2,838,895)	-18.2%
Risk Management	228,847	168,690	73.7%	224,919	(3,928)	-1.7%
Sustainable Development	4,434,354	2,956,532	66.7%	3,942,042	(492,312)	-11.1%
Technology	2,081,655	1,599,737	76.8%	2,086,288	4,633	0.2%
Transportation	4,113,053	2,660,370	64.7%	3,547,160	(565,893)	-13.8%
TOTAL EXPENDITURES	154,356,687	115,520,200	74.8%	146,364,197	(7,992,490)	-5.2%

CONCLUSION

This analysis of budget to actual operating revenues and expenses with projections through September 30, 2023 provides the status of the City's budget for the first nine months of the fiscal year. Based on preliminary projections, the General Fund is projected to end the fiscal year with a \$5.3 million surplus. While the first nine months of the fiscal year does not provide a definitive indication of experience for the remainder of the fiscal year, it does provide further clarity in identifying any potential issues at year-end.

The Office of Management and Budget will continue to monitor revenue and expense trends for the fiscal year and will provide another update at year-end.