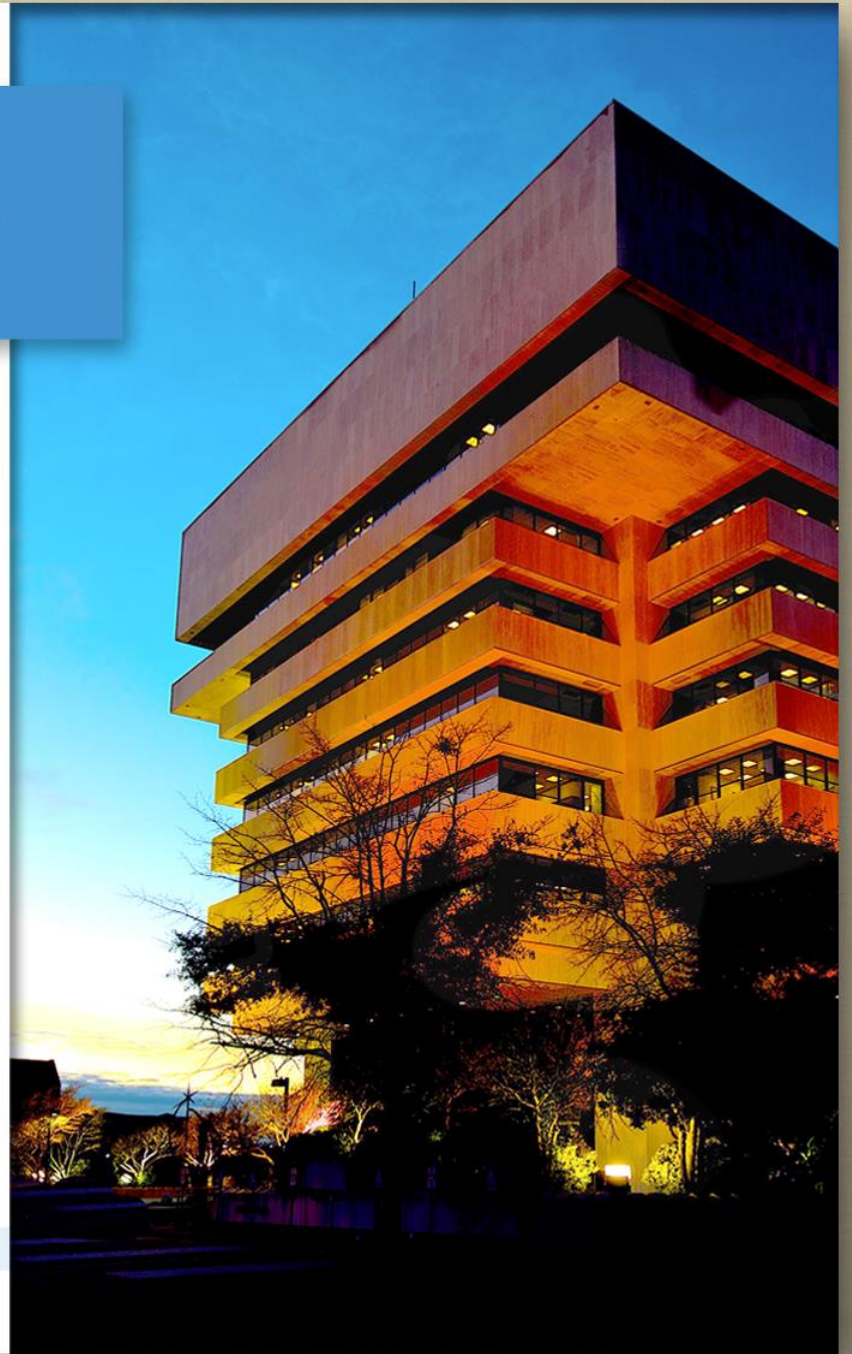


HAMPTON VA

FY21 Mid-Year Budget Update



Outline

- FY21 Year End Budget Projections
 - FY21 Recommendations
 - FY22 Outlook & Beyond
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FY21 Year-End REVENUES

FY21 Overall actual revenues are projected to be \$6.2 million less than budgeted

- General property taxes are expected to exceed its revenue budget - primarily driven by the positive performance of real estate taxes
- Other local taxes are projected to underperform the budget for the fiscal year – specifically Meals, Admission and Lodging Taxes
- Interest earnings from investments are expected to be significantly under the revenue estimate
- Fee based programs such as School Age Programs, EMS revenues, Parks, Recreation and Leisure Services revenues are also expected to underperform the budget

FY21 Year-End EXPENDITURES

FY21 overall expenditures are projected to be approximately \$23 M less than budgeted.

- \$21 million of these savings are due to either the freeze on new spending or other one-time measures taken to create budget flexibility due to the Pandemic.
 - Freezing the new funding added in FY21 (\$12.0 M)
 - Reclassifying eligible public safety salary costs to the CARES Act Funding (\$5.5 M)
 - Pre-funding the FY21 General Fund contribution to the Capital Budget (\$3.5 M) out of FY20 year end savings

Bottom Line

- Based on the projected growth of \$5.8 million in recurring revenues for FY21, we can implement some of the appropriations included in the FY21 Budget, that were frozen due to the pandemic.
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FY21 General Fund Budget Items Frozen

- Compensation \$5.2M
- Debt Service \$4.9M
 - Time or structure planned bond issue to defer debt service payments
- Extra Contingency Funds \$1.0M
- New Positions \$284K
- New or Expanded Programs \$559K

Staff Recommendation

- Staff recommends the following planned FY21 expenditures be unfrozen:
 - Planned 3% pay increase and State mandated minimum wage adjustments
 - Staff compensation was identified as Council's top priority during the FY21 budget process
 - Proceed with our planned Fiscal Year 2021 bond issue
 - Over \$200,000 in annual debt service savings may be achieved on our FY2021 bonds if we move to take advantage of the current low interest rate environment per our financial advisors
 - Working with our financial advisors to structure the debt service payments to mitigate impacts on FY21, FY22 and FY23 budgets

Staff Recommendation cont.

- Release cash funded Capital Improvement Projects
 - With the one-time measures we have taken in FY21 (advance funding the City's capital contribution, using CARES Act Funding to cover some public safety salaries, etc.), we believe that we will be able to add to the City's fund balance at fiscal year end
 - Consider other frozen expenditures as part of our FY22 Budget Process
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FY21 Year-End EXPENDITURES

With five months remaining in the fiscal year, staff will continue to monitor revenues and expenditures and will update City Council accordingly.

In the event of year-end savings in excess of the projected amount, consideration may be given to making similar year-end adjustments to what occurred in FYE FY20.

FY22 Outlook & Beyond

- There is still a fair amount of uncertainty surrounding how long the impacts of the pandemic will be felt
 - Uncertain how quickly sectors impacted significantly by the pandemic (hotels, theaters, restaurants, etc.) may bounce back to pre-pandemic levels
 - Interest earnings will continue to be depressed as long as the Federal Reserve keeps interest rates low
 - Future federal budget cuts, which tend to follow economic crises, could impact future growth in the region like after the great recession
 - Increases in borrowing rates could also slow the growth of real estate values
 - Continued structural economic changes that were accelerated by the pandemic such as the decline of bricks and mortar retail could also impact future growth
- Need to move cautiously as we plan our FY22 budget

Discussion & Questions

