

Presentation of the 2nd Amendment to the FY17 General Fund Budget

Presentation to Petersburg City Council

The Robert Bobb Group, LLC

January 10, 2017

Agenda

Roll Up the Sleeves – All Hands Working Session to Balance the GF FY17 Budget:

1. General Fund Budget Synopsis
2. Our Working Session Purpose & Goals
3. Executive Summary
4. Preparation for Tonight's Working Session
5. Summary of Impact of 1st Amendment
6. Review of 2nd Amendment to the FY17 Budget
 1. Held meetings with Department Leaders
 2. Calculated Spend Rate and Forecasted the Budget to Actuals
 3. Focused on the General Fund
7. Key Next Steps: Forensic Audits for Purchase Cards, Revenue Office, Treasurer Office & Special and Enterprise Funds
8. Plan for Next Council Meeting on January 17, 2017
9. Ground Rules for Today's Discussion
 1. FY17 Budget must remain structurally balanced
 2. Any Amendments from City Council must have an offsetting revenue or a reduction
10. Transparency

General Fund Budget Synopsis

This table includes General Fund budget information ONLY.

	FY16 ADOPTED	FY16 ACTUALS (UNAUDITED)	FY17 APPROVED	FY17 1 st AMENDMENT	FY17 2 nd AMENDMENT (PROPOSED)
EXPENDITURES	\$73,971,213.00	\$76,745,882.00	\$69,784,841.00	\$61,845,024.00	\$68,411,677.00
<i>Departments overspent their budgets.</i>					
REVENUES	\$74,150,190.00	\$67,248,804.00	\$70,018,220.00	\$64,834,925.00	\$68,411,677.00
<i>Revenues did not perform.</i>					
BALANCE	\$178,977.00	-\$9,497,078.00	\$233,379.00	\$2,989,901.00	\$0.00

FY16 Actuals (Unaudited) revealed a budget deficit of \$9.5M

These are PROJECTED budget figures with inaccurate assumptions on revenue and tax collections. They are NOT REALISTIC.

The proposed 2nd Amendment to the FY17 Budget creates a zero balance between Expenditures and Revenues.

Our Working Session Purpose & Goals

Purpose of Tonight's Meeting:

Review our proposed 2nd Amendment to balance the FY17 Budget

Goal 1

Provide a step by step process overview of our 2nd Amendment to balance the FY17 Budget

Goal 2

Review the Budget Exhibit Highlights & Solicit Council's Guidance and Feedback

Goal 3

Make the Necessary Adjustments to the 2nd Amendment Proposal to retain balance and include Council's Priorities

We must be successful to avoid repeating the same mistake the City has made since 2009, which is creating a structured budget deficit year after year.

Executive Summary (1 of 2)

The Proposed 2nd Amendment to the FY17 Budget Represents:

1. A structurally balanced budget that ends the current FY with a slight surplus. The FY16 GF budget had a structural imbalance of \$9 million. For FY16 we had approximately \$76 million in expenditures and \$67 million in revenue.
2. A collaboratively prepared document that reflects input from the staff Directors and holds them accountable for budget performance going forward. We overspent FY16 by approximately \$2.77 million and the State team identified an \$18.8m deficit.
3. Reconciliation of actual revenue and expenditure performance for the first six months of the current fiscal year.
4. Revenue and expenditure projections for the next six months based on actuals.

Executive Summary (2 of 2)

The Proposed 2nd Amendment to the FY17 Budget Represents:

5. Insertion of exceptional events from FY16 and FY17 that were not known during the preparation of the 1st amendment but must be included in the FY17 General Fund budget to achieve structural balance.
Note: This resulted in an apparent budget increase since FY16 expenses were settled in FY17 using current revenue projections and cash.
6. Restoration of the 10% pay cut for Police, Fire, and EMS starting the April 7th pay period.
7. Recognizes new revenue (in addition to actuals) from interest capitalization and restored social services funding due to RBG efforts – **approximately \$1.9M in extra revenue**
8. The 1st amendment to the FY17 GF budget included revenue and expenditure adjustments that were unrealistic and did not materialize.
9. The 2nd amendment represents a \$8.5 million reduction compared to the unaudited actual from the FY16 budget. (FY16 unaudited actual was \$76.7 million versus the proposed amended FY17 budget of \$68.2 million)

Preparation for Tonight's Working Session

RBG Activities to develop the 2nd Amendment to the FY17 Budget included:

- **Top to Bottom Review of FY17 Budget**
- **Review of all 19 PFM Recommendations to examine what materialized, what has not, and if performance is consistent with what has worked**
- **Meetings with all department heads as a group and through 1:1's**
- **Budget Deep Dive with all department Heads: we reviewed spend rates, available budgets, ways we can prioritize contracts, reduce fleet and cell phones**
- **Deep dive reviews of existing payables to identify unpaid FY16 invoices and impact to FY17 budget**
- **Validate Assumptions for Taxes and Revenues**

Summary of Impact of 1st Amendment

	PFM Recommendation	PFM Projected FY17 Impact	1st Amendment Impact	2nd Amendment Impact
1	Reduce school funding to the level required by State law	\$4,140,000.00	\$3,420,000.00	\$3,420,000.00
2	10% reduction in salaries	\$2,066,666.67	\$0.00	\$0.00
3	Close a firehouse and reduce staffing	\$675,000.00	\$511,000.00	\$0.00
4	Freeze police hiring and redeploy detectives to patrol	\$550,000.00	\$0.00	\$898,000.00
5	Fund code compliance with CDBG funds	\$475,000.00	\$0.00	\$195,000.00
6	Eliminate funding for museums and tourism centers	\$300,000.00	\$0.00	\$410,000.00
7	Reduce jail population	\$0	\$0.00	\$0.00
8	Reduce agency appropriations	\$230,000.00	\$230,000.00	\$230,000.00
9	Consolidation of planning, economic and community development	\$120,000.00	\$431,000.00	\$449,000.00
10	Reduce library hours and spending by 25%	\$112,500.00	\$112,500.00	\$112,500.00
11	Reduce parks programing	\$0	\$0.00	\$188,000.00
12	Eliminate the Office of Hispanic Liaison	\$75,000.00	\$0.00	\$58,000.00
13	Increase the cigarette tax to 90 cents per pack	\$900,000.00	\$740,000.00	\$647,000.00
14	Add commercial and industrial properties to the tax base	\$1,000,000.00	\$0.00	\$0.00
15	Increase refuse management fee to \$20/month	\$472,500.00	\$353,000.00	\$353,000.00
16	Audit tax exempt property	\$585,000.00	\$0.00	\$0.00
17	Increase the meals tax to 7.5%	\$360,000.00	\$360,000.00	\$360,000.00
18	Increase personal property tax to \$4.90	\$352,500.00	\$0.00	\$185,000.00
19	Increase the lodging tax to 10%	\$127,500.00	\$0.00	\$110,724.00
	TOTAL	\$12,541,666.67	\$6,157,500.00	\$7,616,224.00

Review of 2nd Amendment

Review of Detailed 2nd Amendment Proposal

Plan for Next Council Meeting on 1/17/17

We will revise the 2nd amendment proposal based on tonight's discussion and submit an updated final 2nd amendment for your consideration at our next regular meeting on the 17th.

We will submit the FY18 budget recommendations at the second city council meeting in March.

Key Next Steps: Forensic Audits for Purchase Cards, Revenue Office, Treasurer Office & Special and Enterprise Funds

Transparency

- Review of PFM Recommendations

Summary of Impact of 1st Amendment

Summary of PFM Recommendations Impact to the 1st Amendment

PFM Recommendation	PFM Projected FY17 Impact	1st Amendment Impact	2nd Amendment Impact
1 Reduce school funding to the level required by State law	\$4,140,000.00	The 1 st Amendment reduced schools funding by \$3.42M. Historically, the City has given more than required by State Law.	No Change in 2 nd Amendment. We will ensure funding at the required level for FY18.
2 10% reduction in salaries	\$2,066,666.67	PFM projected annualized savings of \$2.1M from the 10% pay reduction starting with the 9/9/16 payroll. To date, these savings were not realized due to leave payouts, severance, overtime (e.g., Police overtime in excess of \$200K, Emergency Communications overtime \$100K, Fire overtime ~ \$600K).	The 2 nd Amendment includes restoration of the 10% pay cut. It appears the \$2.1M projected savings were built in to the budget.
3 Close a firehouse and reduce staffing	\$675,000.00	PFM suggested \$675K worth of savings. Chief at the time opted for a different plan which reduced the Fire budget by \$887K, netting savings of \$511K.	Our change was to increase Personnel line to add back the 10% and adjust based on current spend rate.

Summary of Impact of 1st Amendment

Summary of PFM Recommendations Impact to the 1st Amendment

PFM Recommendation	PFM Projected FY17 Impact	1st Amendment Impact	2nd Amendment Impact
4 Freeze police hiring and redeploy detectives to patrol	\$550,000.00	Original budget, at the current spend rate, saved \$1.4M gross, including overtime plus pay outs, hiring a new chief, five new officers in training, and the added 10% restoration.	\$898K is net of current spend rate and overtime; Chief Rohde observed police is right sized.
5 Fund code compliance with CDBG funds	\$475,000.00	We observed we could only save \$195K. While PFM recommended closing funding for Code Compliance and fund with CDBG funds, we vetted with internal experts this is not possible since this would put the City in jeopardy. We determined that we cannot move funds to CDBG.	\$150K can be transferred, area of opportunity to use in blighted under developed areas. CDBG plan must be approved by Council, then CDBG approval. In FY17 1 st amendment, it was actually decreased by \$587K; we had to add back \$195K to the General Fund.
6 Eliminate funding for museums and tourism centers	\$300,000.00	Original budget was \$672K, PFM Recommendation was to reduce \$404K	Our 2 nd Amendment captured savings of \$410K.

Summary of Impact of 1st Amendment

Summary of PFM Recommendations Impact to the 1st Amendment

	PFM Recommendation	PFM Projected FY17 Impact	1st Amendment Impact	2nd Amendment Impact
7	Reduce jail population	\$0	No Impact	No Impact
8	Reduce agency appropriations	\$230,000.00	This was incorporated with \$230K in savings.	This was incorporated with \$230K in savings.
9	Consolidation of planning, economic and community development	\$120,000.00	Approved in FY17, over \$1M, 1 st amendment reduced by \$431K.	2 nd Amendment saves \$449K
10	Reduce library hours and spending by 25%	\$112,500.00	This was incorporated with \$112K in savings.	This was incorporated with \$112K in savings.
11	Reduce parks programing	\$0	Did not materialize	Observed \$188K in personnel savings
12	Eliminate the Office of Hispanic Liaison	\$75,000.00	Did not realize these savings – this Office was not closed until end December 2016.	Observed savings of \$58K

Summary of Impact of 1st Amendment

Summary of PFM Recommendations Impact to the 1st Amendment

	PFM Recommendation	PFM Projected FY17 Impact	1st Amendment Impact	2nd Amendment Impact
13	Increase the cigarette tax to 90 cents per pack	\$900,000.00	\$740K increase in 1 st Amendment.	We project increase of \$647K.
14	Add commercial and industrial properties to the tax base	\$1,000,000.00	Not materialized.	No Impact.
15	Increase refuse management fee to \$20/month	\$472,500.00	We observed \$353K reduction.	We observed \$353K reduction.
16	Audit tax exempt property	\$585,000.00	Not Materialized	No Impact.
17	Increase the meals tax to 7.5%	\$360,000.00	We observed \$360,000.	We observed \$360,000.
18	Increase personal property tax to \$4.90	\$352,500.00	Has Not Yet Been Implemented – Impact to be seen in March 2017	We project \$185K in expected impact.
19	Increase the lodging tax to 10%	\$127,500.00	We observed a lower adjustment based on \$177K midway through year.	We project \$111K in FY17.