



# City of Greensboro General Fund Financial Highlights: Q2 FY 22-23

## SUMMARY

*Budget & Evaluation and Finance & Administrative Services have prepared General Fund year-end revenue and expenditure projections and a mid-year financial review. Based on information available through December 2022 and evaluations of revenue and expenditure trends, the General Fund is projected to record an operating surplus (deficit) between \$0.4 million and (\$6.8) million.*

## FY 2022-23 Projections

Overall expenses continue on pace with budget in most areas. Personnel costs and operations costs are expected to close out FY 22-23 closer to budgeted amounts than in recent years. Revenues, while increasing compared to FY 21-22, are likely to be less than budgeted amounts, excluding fund balance. The surplus (deficit) for FY 22-23 is currently projected to be between \$0.4 million and (\$6.8) million. A deficit will require use of fund balance.

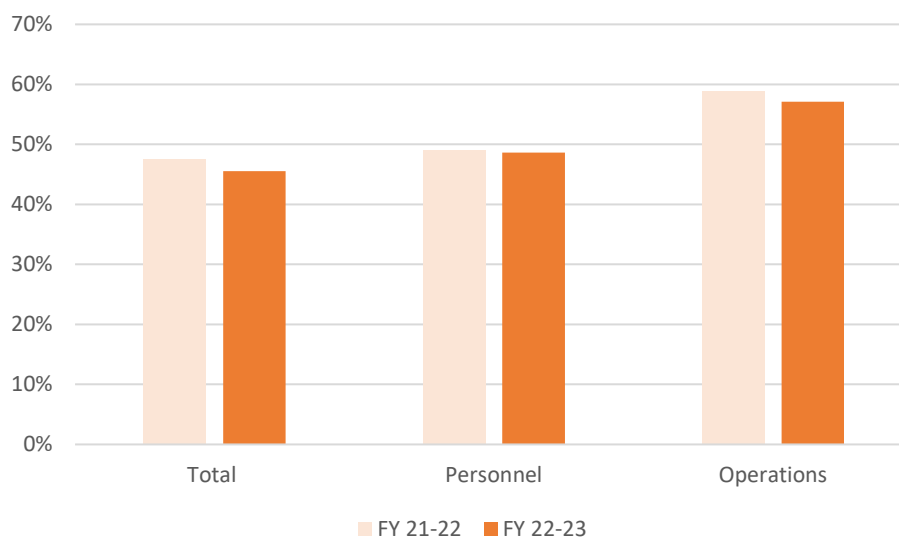
<b>General Fund FY 2022-23 Projections</b> <i>in millions</i>	<b>Revised Budget</b>	<b>Projections</b>	
<b>Revenues</b>	<b>\$379.6</b>	<b>\$366.0</b>	<b>- \$370.4</b>
Property Tax	\$215.7	\$214.7	- \$215.0
Sales Tax	\$78.3	\$78.0	- \$81.0
State Shared	\$24.0	\$24.0	- \$25.0
Other	\$42.1	\$42.9	- \$43.0
Transfers In	\$6.4	\$6.4	- \$6.4
Appropriations	\$13.1		
<b>Expenditures</b>	<b>\$379.6</b>	<b>\$372.8</b>	<b>- \$370.0</b>
Personnel	\$218.1	\$217.5	- \$216.7
M&O	\$99.7	\$93.5	- \$92.3
Capital	\$1.8	\$1.8	- \$1.0
Transfers Out	\$60.0	\$60.0	- \$60.0
<b>Projected Use of Fund Balance</b>		<b>(\$6.8)</b>	<b>- \$0.4</b>

## Expenditures

The overall revised budget for FY 22-23 totals \$403.5 million, an increase of \$67.2 million compared to FY 21-22. A significant amount of the budget increase, \$23.9 million, is related to appropriations of ARP-enabled projects. Absent ARP-enabled related appropriations, the revised General Fund budget totals \$379.6 million, or a 12.9% increase from the revised FY 21-22 budget. The remaining analysis excludes ARP related appropriations.

General fund expenditures for the first half of FY 22-23, as a percentage of total budget, are slightly less than expenditures compared to the previous year. Through the second quarter of FY 22-23, General Fund expenditures and obligations totaled \$172.9 million, or approximately 45.5% of the revised budget of \$379.6 million. Through the second quarter of FY 21-22 total expenditures and obligations were \$159.7 million, or 47.5% of the revised budget of \$336.3 million.

**Expenditures and Obligations as a Percent of Budget through 2<sup>nd</sup> Quarter**



### Personnel

Personnel (salary & benefits) expenditures for the first half of FY 22-23 totaled \$106.1 million, or 48.6%, of the revised budget of \$218.1 million. This is slightly less than personnel expenditures as a percentage of budget through the second quarter of FY 21-22 where \$99.1 million, or 49.1%, of the \$201.8 million revised budget was expended. Salary and benefits expenditures include step adjustments for eligible Police and Fire employees, the adopted implementation and step adjustments for general employees, the 2% market adjustment for eligible employees, and the 3% average merit adjustments implemented in mid-December.

Budgeted personnel expenses for FY 22-23 increased 8% over FY 21-22 to fund several position and compensation enhancements adopted as part of budget development. Over sixty positions we added for the FY 22-23 budget through service enhancements and mid-year approvals including additional Fire, Transit, and Development Services staff. The budget includes a 2% base market adjustment for general employees and between 4% and 7.4% for Public Safety positions. An additional 4% base pay adjustment

was also planned for May of 2023. That increase has been moved up to February producing approximately \$2.6 million in additional expenses. Benefits costs have also seen increases including expenses like retirement contributions.

Other drivers for personnel costs have shifted somewhat due to continued vacancies and the use of overtime, roster, and temporary employees to cover normal operations. Overtime costs, especially for public safety, continue to see significant increased use. Budgeted salaries for full and part-time positions increased nearly \$12.2 million from FY 21-22. Expenditures for full and part time employees is slightly less than FY 21-22 as a percent of budget, totaling \$68.1 million, or 46.9% of the \$145.2 million revised budget. In FY 21-22 these expenditures totaled \$62.2 million, or 47.5% of the revised budget.

Through the first half of FY 22-23, overtime expenditures totaled \$3.6 million, or 173.4% of the \$2.1 million total budget, and about \$411,000 more than the first half of last year. This is an increase of approximately 13% from the same period last year.

Premium pay, which is used for coverage of many city events, has increased approximately 34% from last year. Combined, overtime and premium pay are \$680,790, or 17.2% more than the first half of FY 21-22. Roster wage expenditures through the second quarter are in-line with expenditures through the same period in FY 21-22. The use of contracted employees and services, which help supplement employee services, will be included in the operations section.

## **Operations**

Maintenance and Operation expenditures and obligations for the first half of FY 22-23 totaled \$56.9 million, or 57.1%, of the revised budget of \$99.7 million. This is about \$3.7 million more than expenditures and obligations during the first half of FY 21-22 of \$53.2 million, or 58.8%, of the \$90.5 million revised budget. Operations expenses are on pace with those seen in the first half of FY 21-22 as a percent of budget. This does not include ARP related expenses or transfers from the General Fund to other funds.

Some operations expense categories reflect the continued impacts of inflation and organizational effects from the tight labor market. Fuel expenses for the first half of FY 22-23 fuel expenses are almost \$1 million more than the same period in FY 21-22, a 53% increase. Contracted services including construction, consultant services, demolition, and chemicals continue to show increased expenditures compared to the same period of FY 21-22 ranging from 10% to 30%. Some of this can be attributed to the timing of expenditures, but an overall increase in prices in many areas is apparent. Overall, operations expenses are expected to be much closer to the revised budget than in recent years.

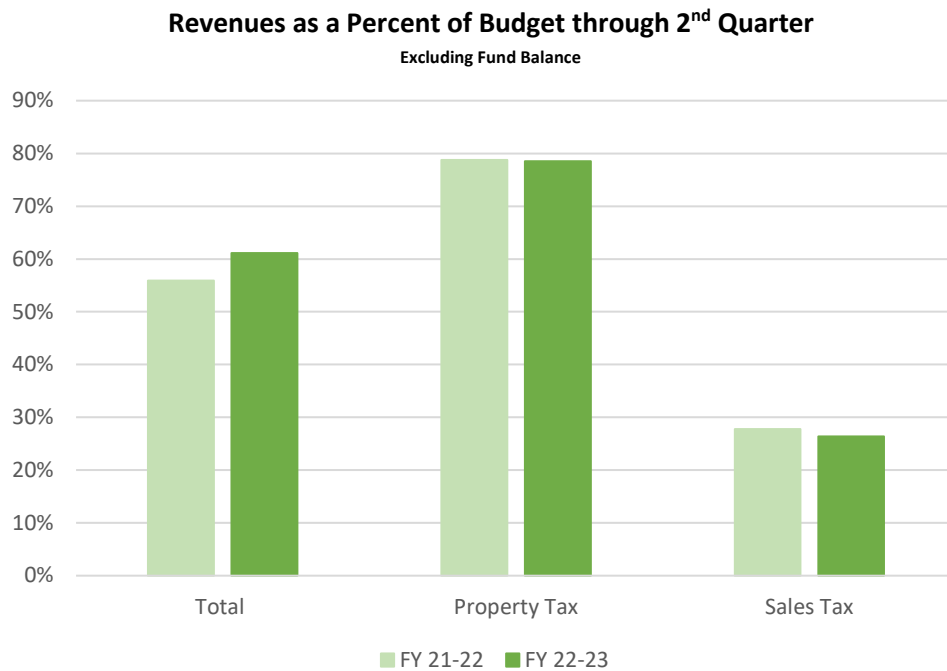
## **Revenues**

Revenues through the first half of FY 22-23 total over \$217.0 million, or 59.2% of the total revised budget of \$366.5 million. Revenues were collected at a slightly higher rate than the same period last year when 55.9% of budgeted revenues were received. Property taxes and sales tax, the largest revenue categories, should meet or exceed budget expectations. Revenues through the second quarter are primarily driven by property taxes. These figures exclude appropriated fund balance and ARP related appropriations.

## Property Tax

Through the second quarter of FY 22-23, \$169.4 million of current year property taxes (including registered motor vehicle taxes) have been collected, 78.5% of the \$215.7 million budget. Property tax receipts are consistent with receipts as a percent of budget compared to the same period of FY 21-22, where the City received \$143.7 million, or 78.8% of the \$182.4 million budgeted. Appeals of property valuation have increased due primarily to the revaluation for Guilford County last year. These appeals are expected to negatively impact projected property tax growth included as part of the FY 22-23 budget.

The City typically collects about 75% of annual property taxes in the first two quarters of the fiscal year due to the 1% early payment discount. Most of the balance of property taxes due are paid by the end of January, and will be included in the next update.



## Sales Taxes

The adopted FY 22-23 budget anticipated continued growth in sales tax as the local and national economy continues increased activity levels. Sales tax revenues of \$78.3 million are budgeted in the current year, compared to \$67.6 million for FY 21-22. This includes \$2 million allocated to the Transit Fund for additional General Fund support. Net sales taxes retained by the General Fund are budgeted at \$76.3 million.

Sales tax receipts lag behind by three months due to the receipt and disbursement by the state. Through the second quarter, the City has received only one quarter of sales tax receipts, but it is useful for initial projections for total year receipts. Through two quarters (three actual payments) in FY 22-23, sales taxes, including gross vehicle receipts, totaled almost \$20.8 million, compared to \$18.8 million during the first half of FY 21-22.

Strong sales tax receipts have continued into FY 22-23, though signs of slowing have emerged in the latest receipts, including a larger amount of refunds than has been experienced in recent years. Sales taxes were budgeted to increase approximately 16% compared to FY 21-22 budgeted amounts and approximately 1% less than actual receipts for FY 21-22. Sales taxes are expected to meet or exceed budgeted totals, including the \$2 million planned for transit support.

### **User Fees and Charges**

The most clearly impacted user fees during the pandemic appear to be largely back to normal expectations. Program fees, primarily for services at Parks and Recreation, and other program related revenues have increased over the same period of FY 21-22 and are expected to be in line with the revised FY 22-23 budget. Admissions and Charges totaled about \$475,000, or 34% of budget, an increase of almost \$125,000 compared to FY 21-22.

License and permit fees, including building permits, have shown a decrease compared to the first half of FY 21-22. Last year during this time these revenues grew significantly compared to the previous year. For FY 22-23, these revenues totaled \$2.3 million, or 42.6% of the \$5.3 million budgeted. This is approximately \$200,000 less than the first half of FY 21-22. Other fees are overall largely on track with budget through the second quarter.