



CITY OF NEWPORT

Mid-Year Budget
Analysis

January 20, 2021

FISCAL YEAR 2021 BUDGET

Fiscal Year Adopted Budget was \$4,548,307 less than FY2020 Budget due to COVID.

No Tax Increase in FY2021

Budget Reductions accomplished through slashing expenditures, in particular the capital improvement budget and transfers to the equipment replacement funds.

We also negotiated changes in the COLA's in the NEA and AFSCME contracts and eliminated the transfer to the OPEB Trust.

PROJECTED ACTUAL RESULTS IN GENERAL FUND

Projected actual revenues are expected to exceed FY21 Budget by \$558,594
(surplus)

Projected actual expenditures are expected to exceed FY2021 Budget by \$587,000
(deficit)

Leads to a small projected overall deficit of \$28,000

GENERAL FUND REVENUES — ACTUAL AS OF DECEMBER 31, 2020

Many significant general fund revenues are down from the prior year December 31, 2019 by 20% to 47%.

However we had reduced estimated revenues in the budget by enough in most line items to anticipate those reductions.

Areas of Concern include:

- Special Detail Revenues
- Rescue Fees

A SPECIAL NOTE ABOUT STATE AID (AND FUTURE BUDGETS)

The State of Rhode Island voted to replace the bulk of both regular annual PILOT monies and Motor Vehicle Phase-out monies with Coronavirus Funds (CRF) in FY21.

For Newport, that means that \$1.184M of state aid was replaced with CRF funds. The City will also receive an estimated additional \$455,000 in CRF funds above what was anticipated.

The extra funding is good news for FY21 and it makes up the bulk of the anticipated surplus in general fund revenues. The use of federal aid to supplant state aid does lead to concerns in future budgets. Note that they also did this with the June 2020 monthly state aid for schools.

GENERAL FUND EXPENDITURES

Areas of Concern:

- Police and Fire overtime – police anticipated to exceed their budget by \$130,000 and fire is expected to exceed their budget by \$600,000. This is consistent with what we saw in FY2019 prior to COVID.
- COVID costs – note that all identified personnel, overtime and operating supplies costs related to COVID prior to July 1, 2020 were moved out of the general fund and put into the state and federal grants fund. Specifically identified COVID costs since July 1, 2020 have not yet been moved out of the General Fund. Projected costs related to equipment and supplies are \$130,000. FEMA will only reimburse 75% of allowable costs and they are questioning and denying many costs throughout the state. We have been working with FEMA since June and expect that most of our submitted costs will be reimbursed at the rate of 75%. The other 25% will have to be paid from the General Fund and those monies are not budgeted and not included in this analysis. City cost is estimated at 100K

GENERAL FUND EXPENDITURES — FY2022

- Replace 1.25M in annual equipment replacement costs; 820K in transfer to OPEB Trust; and 2.5M in capital outlay in FY2022.
- All bargaining contracts except for NEA are or will expire at 6/30/21
- Revaluation impacts

MARITIME AND PARKING FUNDS

Both funds are seeing significant declines in revenues. There is a projected deficit of \$8,200 in the Maritime Fund. The Parking Fund projects a surplus primarily because the transfer of the General Fund's share of revenue is \$100,000 less than budgeted.

TAX STRUCTURE

City currently has a two-tier tax structure with separate residential and commercial rates. Legally, the commercial rate cannot be more than 50% higher than the residential rate.

The City granted just shy of \$23M in exemptions for the Tax Roll Year 2020 as follows:

- \$13.6M in veterans and widow(er) of veteran exemptions
- \$5.5M in senior exemptions
- \$3.9M in variable and legally blind

The City also has \$3.9B in tax exempt status properties out of a total assessed value in the City of \$10.7B

TAX STRUCTURE - REVALUATION

The City is required by state law to perform a full revaluation of property as of 12/31/2020 (Tax Roll Year 2021 for Fiscal year 2022 Budget). The revaluation is about 80% complete. We are anticipating a significant increase in the value of residential property and a 20-30% decrease in the value of commercial property.

Tax rates are “equalized” after every full revaluation or statistical update, meaning we adjust the tax rates so that the total tax levy (the amount raised by taxes) equals the amount in the current year. The adjusted rates become the starting point for any potential tax increases in the next fiscal year budget. In this case, it would be for the FY2022 budget. As part of the budget, we also need to re-adjust for any inequities between the residential and commercial rates.

We expect that residential rates will have to increase in FY2022 to offset commercial value losses.

TAX STRUCTURE — HOMESTEAD EXEMPTION

Requirements:

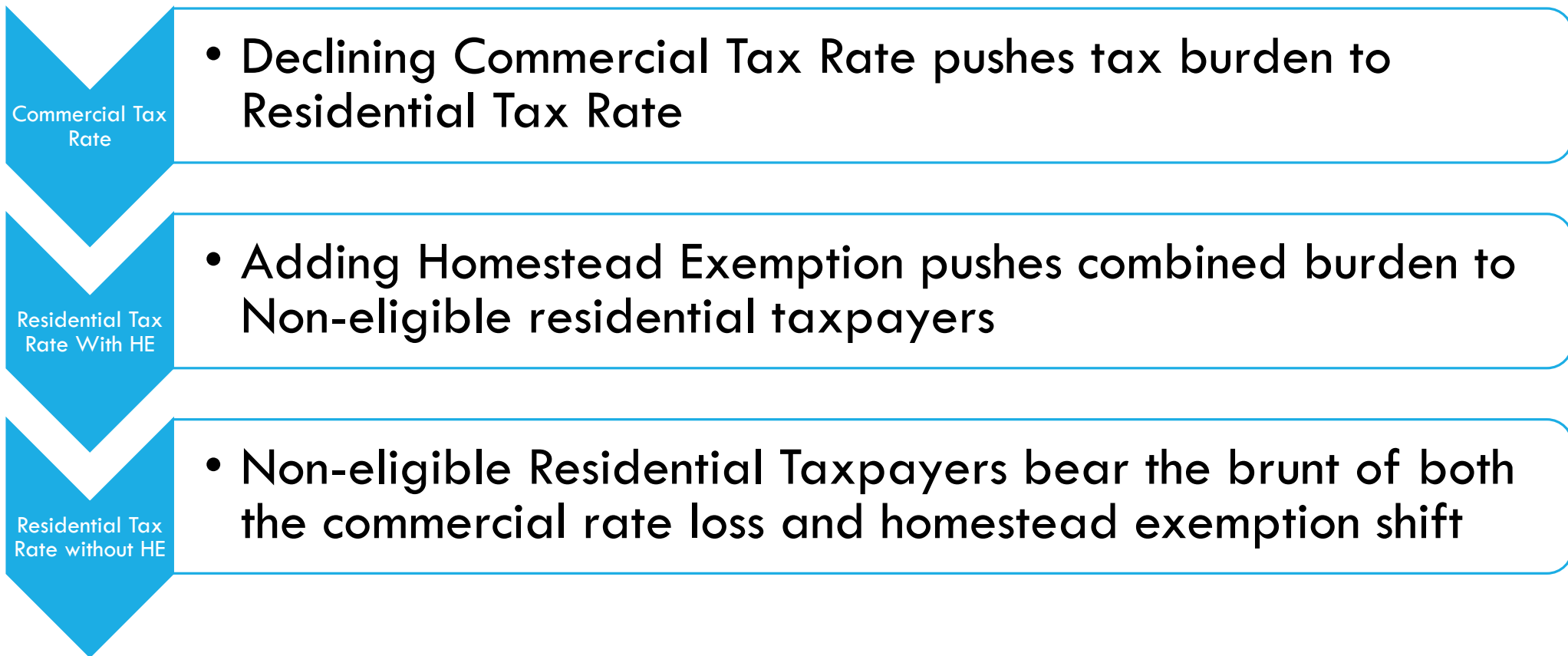
Survey for demographics – lack of information to make informed decisions or even educated guesses as to fiscal impact

Define goals of exemption and develop specific qualifications within the exemption to meet the goals

Review legal authority and options for meeting goals

Increase resources to meet administrative needs

TAX STRUCTURE — HOMESTEAD EXEMPTION — CURRENT CLIMATE



AREAS OF DISCUSSION FOR THE FY2022 AND FY2023 BIENNIAL BUDGET AND CIP

Easton's Beach Improvements

Significant work is needed at the Easton's Beach facilities. The recently released 5-yr CIP includes \$2.3M in repairs. The City has bonding capacity left from the facilities bonds that were approved in 2015 of \$1,675,000. Some of that funding will be used for the Edward King House Roof Chimney Restoration. The balance is proposed to be used to offset some of the cost of the beach facilities repairs.

Staff is requesting a broader policy discussion from the Council and community as to whether any changes should be considered to the facilities at Easton's Beach. Some examples include whether to move the carousel to a different location away from the Beach; Rotunda need and use; current and different facilities usage; modifying snack bar concept to add food trucks; etc.

AREAS OF DISCUSSION – CONT.

Parking Meter Use Expansion

Some areas for discussion of policy include:

- Extend Meter Use to year-round similarly to what many other tourist cities do and suspending charges during holiday periods
- Extend Metered use from 9:00 am to 12:00 pm to match most private lots
- Broaden coverage areas
- Change Maximum parking fee per hour to not exceed \$2.00 per hour at downtown locations and \$3.00 per hour on Memorial Blvd. at Easton's Beach