

CITY OF WARWICK
FINANCE DEPARTMENT
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To: Mayor Frank J. Picozzi and the Members of the Honorable City Council

From: Peder Schaefer, Finance Director

Subject: Preliminary Financial Results – FY 21

Date: October 7, 2021

In compliance with Section 6-3 (4) of the Warwick City Charter, here follows the preliminary City financial results for FY 21.

Revenues:

Operating revenues exceeded original estimates by \$1.6 million. This does not include any use of the \$5.1 million in American Rescue funds pledged to support the revised FY 21 budget or the use of \$2.8 million in fund balance drawdown that had been incorporated in the enacted FY 21 budget.

- Property tax collections were almost \$2.2 million greater than estimated. This collections improvement was greater than projected this May and results principally from the tax sale held in May (the first in two years) as well as continued refinancing activity.
- While state aid fell \$6.5 million below original estimates, Federal aid exceeded estimates by \$7.1 million reflecting the state's use of CARES Act (CRF) funding to keep municipalities whole on state aid.
- Other revenues fell short of original estimates by \$0.7 million. This reflects the losses in hospitality revenue from the airport (\$1.1 million), room occupancy tax (\$0.6 million), meals tax (\$0.3 million), short term investment earnings (\$0.5 million), recreational activities (\$0.4 million), and rescue service fees (\$0.2 million). Part of this shortfall was made up by robust real estate activity (+\$0.8 million in recording, real estate transfer, and building permit fees),

Expenses:

Expenses were almost \$4.4 million less than budgeted.

- Central Administrative costs were \$0.8 million below budgeted levels as payroll was constrained and software maintenance costs were less than expected.
- Public Safety costs were \$0.6 million over budget as a deficit in the fire department of \$1.6 million was offset by savings in the police department and by FEMA reimbursements.

- Social services spending which includes recreational activities were \$1.1 million under the budget as originally enacted, as recreational and library services were curtailed by the pandemic until the end of the year.
- A surplus of over \$1.9 million was registered in public works and associated services as payroll costs were restrained by layoffs earlier in the year as well as moderating utility costs and a mild winter.
- A modest deficit in employee benefits associated with severance payments was offset by significant savings in unemployment costs as the Federal government subsidized unemployment under the CARES Act. Health Insurance costs were lower than expected this May.
- Preliminary numbers indicate a surplus in the school department of over \$0.2 million. Confirmation of this number is pending further review. In any case, school surpluses are generally carried over into the new-year.

City of Warwick 10/4/2021	FY 2020	FY 2021	FY 2021	FY 2021	FY 2021
FY 2020-2021	Audited Actual	Budget	Projected	Preliminary	Surplus
REVENUES		Enacted 5/20	Projected 5/21	As of 10/21	
STATE AID	48,827,406	52,205,208	45,345,442	45,708,965	(6,496,243)
FEDERAL AID	1,373,746	2,981,666	16,349,067	10,128,583	7,146,917
LICENSES AND FEES	8,361,944	8,487,350	7,666,084	8,466,425	(20,925)
OTHER	17,403,595	15,820,045	12,870,436	15,148,664	(671,381)
ENTERPRISE FUND TRANSFERS	2,552,245	3,045,284	3,041,558	2,616,363	(428,921)
PROPERTY TAXES	238,276,906	238,121,885	238,524,908	240,273,948	2,152,063
FUND BALANCE DRAWDOWN	-	2,847,471	-	-	2,847,471
TOTAL REVENUES	\$316,795,842	\$323,508,909	\$323,797,495	\$322,342,948	\$4,528,982
EXPENSES					
EXECUTIVE AND ADMINISTRATION	12,640,124	15,432,426	14,719,685	14,635,944	796,482
PUBLIC SAFETY	46,866,287	47,263,993	48,826,914	47,883,870	(619,877)
SOCIAL SERVICES	6,787,906	6,552,135	5,536,603	5,433,855	1,118,280
PHYSICAL RESOURCES	13,368,491	14,436,714	13,386,132	12,508,746	1,927,968
EMPLOYEE BENEFITS AND CAPITAL	66,385,823	68,284,974	68,931,793	68,306,810	(21,836)
SCHOOLS	170,808,928	171,538,668	171,538,668	171,296,693	241,975
TOTAL EXPENSES	\$316,857,560	\$323,508,909	\$322,939,795	\$320,065,918	\$3,442,991

In summary, without drawing on fund balance or using qualifying American Rescue government services funding, the City of Warwick ran a general fund operating surplus during the year ending June 30, 2021 of \$2.2 million.

Fiscal Year 2021-2022			
City of Warwick	FY 21	FY 21	FY 21
Budget			
(In Millions of Dollars)	Enacted	Revised	Preliminary
	May - 2020	May - 2021	October - 2021
Recurring Revenues			
Property Taxes	\$238.1	\$238.5	\$240.3
State and Federal	\$55.2	\$56.6	\$55.8
Licenses and Fees	\$8.5	\$7.7	\$8.5
Other Revenue	\$15.8	\$12.9	\$15.1
Enterprise Funds	\$3.1	\$3.0	\$2.6
Recurring Revenues	\$320.7	\$318.7	\$322.3
One-Time Revenues			
American Rescue	\$0.0	\$5.1	\$0.0
Fund Balance	\$2.8	\$0.0	\$0.0
One time Revenues	\$2.8	\$5.1	\$0.0
Total Revenues	\$323.5	\$323.8	\$322.3
Expenses			
Municipal	\$152.0	\$151.4	\$148.8
School	\$171.5	\$171.5	\$171.3
Total Expenses	\$323.5	\$322.9	\$320.1
Deficit/Surplus	\$0.0	\$0.9	\$2.2

A challenge for the city and our audit firm will be resolving the financial reporting of American Rescue funds. The City has received \$19.7 million with another \$19.7 million to come this year. While we have pledged \$10.8 million for infrastructure with an additional pledge for the operating budget, very little has gone out the door. To the extent we are required and can document use of ARPA funds in FY 21, the surplus (improvement to fund balance) will increase from the \$2.2 million estimate in this report. We do not believe this change will be material (less than \$1.0 million).