



CITY OF WALTHAM
MASSACHUSETTS

CITY AUDITOR
Paul G. Centofanti

ASSISTANT CITY AUDITOR
Virginia A. Bergin

TO: Finance Committee
FROM: Paul G. Centofanti, City Auditor *PAC*
RE: FY2021 Revenue Projections
DATE: June 1, 2020

The General Fund budget is funded by three separate revenue sources – property taxes, state aid and local receipts. At the FY2021 budget review meeting of the Finance Committee, Councillor Mackin requested additional information on the calculation of the revenue projections from state aid and local receipts.

The following are two statements from the City's financial policies on revenue projections:

- The City Auditor is responsible for estimating revenues for the upcoming fiscal year. The City Auditor may consult with State officials, other City officials and others with knowledge of state/local finance.
- Revenue estimates for state aid and local receipts shall be conservative, using generally accepted forecasting techniques and relevant data. To avoid a potential for a revenue shortfall, estimates for local receipts will generally not exceed 10% of the prior year's collections without a demonstrated basis.

STATE AID – Estimated 20% reduction

Generally when the City's budget for the upcoming fiscal year is prepared, the House version of state aid is announced and used as the budget estimate. Due to the current pandemic, the House version for FY2021 has not been determined. To estimate the amount of state aid for the FY2021 budget, I participated in several ZOOM calls with state and local officials. I also relied primarily on my analysis and thirty-plus years of experience of having been involved in managing the City's finances in three significant prior recessionary periods during 1989–1992, 2002–2004 and most recently 2009–2012 that affected the City of Waltham. Included is a copy of my analysis depicting the amount of state aid that Waltham annually received from 1988 to 2020. I have concluded that a 20% reduction in state aid is reasonable. To confirm the viability of my estimate, I provided my analysis to several of my colleagues in other communities to compare to their community's experience. They concurred that a 20% reduction in state aid is likely at this point.

LOCAL RECEIPTS – Estimated 25% reduction

Local receipts represent revenue we collect from the users of City services or other statutorily allowed programs. The local revenue is generated largely from four sources: motor vehicle excise tax, hotel/motel occupancy tax, local meals tax and building permits. Included is my analysis showing the budgeted local receipts for FY2020, the total receipts through April 2020 and the projected total receipts for FY2020 and FY2021. For the current year (FY2020) the budget for local receipts was estimated at \$26.4M. Through April 2020, local receipts have totaled almost \$22.5M. Based on the downward trends the City is experiencing in the four major sources, I am projecting that local receipts for FY2020 will total about \$23.8M, a revenue shortfall of \$2.6M. Looking forward to FY2021, economic recovery for local receipts from the City's four major sources seem challenging at the current time. The estimated local receipts for FY2021 is projected to be \$6.4M less than last year's budget estimate. Revenue from hotels/motels and meals tax are reported quarterly and lag one month. Hotels/motels are minimally occupied now, restaurants have been relying on take-out service and will now have restrictions limiting seating, new vehicle production and sales have declined and building permit issuances are well below historical trends.

FINAL REVENUE PROJECTIONS

As we do each year, over the remainder of this fiscal year and into the first several months of FY2021, we will continually and closely monitor both the state aid and local receipts revenues. Before the tax rate residential factor is established in November, all sources of revenue are re-evaluated. The estimates for state aid and local receipts that have been projected during the budget approval period could change as more current and better information becomes available.

Waltham
State Aid

<u>FY</u>	<u>\$M</u>	<u>Year 1 % change</u>	<u>Period % change</u>
1988	\$17.9		
1989	\$18.7		
1990	\$16.4	-12%	
1991	\$15.7		
1992	\$13.1		-30%
1993	\$13.7		
1994	\$14.2		
1995	\$14.6		
1996	\$15.4		
1997	\$16.2		
1998	\$17.1		
1999	\$18.2		
2000	\$19.5		
2001	\$21.0		
2002	\$21.1		
2003	\$20.5	-3%	
2004	\$16.9		-20%
2005	\$16.9		
2006	\$17.9		
2007	\$20.1		
2008	\$21.0		
2009	\$21.9		
2010	\$17.4	-21%	
2011	\$15.8		
2012	\$15.1		-31%
2013	\$16.3		
2014	\$17.1		
2015	\$18.1		
2016	\$19.0		
2017	\$20.6		
2018	\$21.9		
2019	\$23.5		
2020	\$25.4		
2021	\$20.3	-20%	Projected

City of Waltham

Local Receipts

	Projected Receipts FY2021	Projected Receipts FY2020	Actual Receipts FY2020 (Apr)	Budgeted Receipts FY2020
Motor Vehicle Excise	7,200,000	7,200,000	6,696,487	8,100,000
Penalties & Interest on Taxes and Excise	509,000	457,000	398,952	616,100
<u>Licenses and Permits</u>				
Building Permits	4,100,000	5,200,000	4,844,866	5,189,744
Electrical Permits	175,000	175,000	148,969	150,000
Liquor Licenses	325,000	325,000	321,400	265,000
Other Licenses and Permits	400,000	400,000	321,757	563,000
Motel/Hotel Tax	2,000,000	4,200,000	4,099,141	5,050,000
Meals Tax	1,000,000	1,500,000	1,307,454	1,681,000
Payments in Lieu of Taxes	72,000	72,000	0	71,500
<u>Departmental Revenue</u>				
Fees	425,000	400,000	345,920	500,000
Rentals	280,000	280,000	232,200	281,000
Departmental Revenue-Libraries	21,000	19,000	18,491	27,800
Departmental Revenue-Cemeteries	160,000	160,000	150,929	167,500
Departmental Revenue-Recreation	180,000	25,000	23,644	180,000
Other Departmental Revenue	400,000	400,000	333,944	445,000
Special Assessments	3,000	3,000	2,994	1,300
Fines and Forfeits	400,000	350,000	329,179	470,000
Investment Income	1,200,000	1,000,000	1,237,925	1,200,000
Urban Redevelopment Excise	0	324,000	323,588	313,900
Municipal Medicaid	400,000	300,000	281,776	400,000
Medicare Part D & Ch 32B	750,000	703,000	702,691	740,000
FEMA Reimbursements	0	44,000	43,647	0
MSBA State Grant Reimbursements	0	305,000	304,586	0
TOTAL	20,000,000	23,842,000	22,470,539	26,412,844