Legislation Text

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General Fund Revenues Update: Actuals and Trends with Sales Tax and Property Taxes (PILOTs and Replacement Tax)

Issue/Request:
General Fund Revenues Update: Actuals and Trends with Sales Tax and Property Taxes (PILOTs and Replacement Tax)

Key Issues:
Since the revenue estimates for the FY19 Projections and FY20 Forecasts were presented to the Finance and Budget Committee (F&BC), additional data has become available which has helped to refine trends. After reviewing each of the General Fund revenue categories, there are three revenues that should be revised: Sales Tax, Property Tax-Payments in Lieu of Taxes (PILOTs), and Property Tax-Replacement Tax.

-Sales Tax: When the FY19 Projections were presented to the F&BC at the February meeting, there was seven months of Actuals data available (July - January). The trends at that time showed that the Sales Tax was growing at significant rates: FY19 Actuals were 8.04% above FY18 Actuals, and FY19 Actuals were also coming in at 2.74% over the FY19 Budget amounts. When the FY20 Forecast was presented to the F&BC at the March meeting, there were eight months of Actuals data available (July - February). The trends with that additional month of data continued to show strong growth trends: FY19 Actuals were 7.76% above FY18 Actuals, and FY19 Actuals were also coming in 2.57% over the FY19 Budget amounts.

As of the writing of this report, there are now eleven months of Sales Tax Actuals data available (July - May). The updated trends continue to show that the year-to-date (YTD) actuals are greater than prior year (FY18) actuals and current year (FY19) budgeted amounts, but they are not at the same levels as they were at the time of Projections and Forecasts. With eleven months of data, the YTD Actuals for FY19 are now 6.23% above FY18 Actuals, and FY19 Actuals are now 0.86% above FY19 Budget amounts.

As a result of the additional months of Actuals data, it seems appropriate to update the FY19 Projections estimate. It is important to mention that the FY19 Projection is the revenue total that we believe we will have at the end of the Fiscal Year and it is the base amount that the FY20 Forecast was calculated off of (3.5% growth over Projections). The methodology for the updated FY19 Projection was to use the eleven months of Actuals for July through May and enter the FY19 Budget amount for the only month where Actuals are not yet available, the month of June. Using the updated FY19 Projection, a new FY20 Forecast amount for Sales Tax was calculated using the same anticipated rate of growth of 3.5% over the Projections amount. This gave a new FY20 Forecast amount of $18,596,208. The new Forecast amount is $307,518 less than the original Forecast amount ($18,903,726).

-Property Tax-PILOTs: After a review of the revenues and expenses for PILOTs, it was determined that the revenue amounts for PILOTs were not accurate and should be revised. (The expense amounts were correct).

The correct revenue amount for PILOTs, which will be the updated Forecast amount, is $2,989,531. This is an increase of $205,542 over the original Forecast amount ($2,783,989).

-Property Tax-Replacement Tax: When the FY19 Projections and FY20 Forecast were presented to the F&BC, the FY19 Actuals data was not available. Since the FY19 Actuals are now available, it seems appropriate to revise the FY20 Forecast. The methodology that is used for the FY20 Forecast is a two-year average of FY18 Actuals ($1,794,230) and FY19 Actuals ($2,015,812). Using this calculation, the updated FY20 Forecast for the Property Tax-Replacement Tax revenue is $1,905,021. This is an increase of $154,209 over the original Forecast amount ($1,750,812).

In total, the aggregate impact of the FY20 Forecast changes described above is an increase in revenue of $54,233. This brings the total revenue for the General Fund FY20 Forecast to $75,719,343.

Proposed City Council Motion:
N/A

Background:
N/A

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