

**CITY OF WARWICK**  
**FINANCE DEPARTMENT**  
**3275 POST ROAD**  
**WARWICK, RHODE ISLAND 02886**  
**(401) 921-9727**

To: Steve Coleman  
Chief, Division of Municipal Finance  
Rhode Island Department of Revenue

From: Peder Schaefer  
Finance Director, City of Warwick

Subject: Mid-Year Report

Date: January 25, 2021

Pursuant to 45-12-22.2 of the RI General Laws, the City of Warwick hereby submits budget to actual financial information for your review as well as the following explanation and supplementary tables.

**Revenues:**

State aid of \$2.1 more than expected in the approved City budget is projected based upon additional appropriations made by the state in December. Motor vehicle aid is up by more than \$1.3 million, Payment in Lieu of Taxes aid is up by more than \$100,000, and new and one time per capita aid of around \$600,000 has been received. Locally collected real estate recording and transfer tax fees are also expected to exceed estimates by \$400,000 as the single family home market continues to be robust.

The hospitality industry has been devastated by the pandemic. Meals and Beverage taxes are expected to fall short of even conservative estimates by over \$900,000, the hotel tax by \$700,000 and activity associated airport revenues by \$1.0 million. Also, recreational type revenues (as well as expenses) will lag estimates by \$400,000 and interest on short term investments will fall \$500,000 below budgeted revenue as interest rates have dropped to near 0% as compared with 2% a year ago.

Overall, revenues are expected to be \$1.0 million below budgeted levels (see table). The Finance Department continues to monitor property and excise tax collections. With the strategic delay in issuing car tax bills, cash flow from these taxes year to date is below normal patterns, but with reinstitution of collection efforts and a tax sale planned for June, it is currently projected that these taxes will meet estimates. Refinancing activity of both commercial and residential property has enhanced collections by closing requirements that taxes be current. While the 99% overall collection estimate in the approved budget will be a challenge, lower abatements and tax credits are expected to offset any lag in the collection rate.

**Expenses:**

With just two significant exceptions, city expenses have been restrained and personnel vacancy levels remain high and in some cases too high. Surpluses in the \$100,000 to \$200,000 range are projected in

the Clerks, Collectors, Assessors, Library, Human Services, Senior Transportation, and Planning Divisions. A continued moderate winter is projected to result in a surplus in Public Works of over \$1.0 million offset by higher sanitation expenses associated with higher waste tonnage landfill costs as people eat at home instead of out. Some savings are also expected in street lighting as the City has completed its purchase of streetlights thereby reducing costs.

While the police department is expected to run a modest surplus, a deficit of over \$2.6 million is projected in the Fire Department with overtime expected to far exceed budgeted levels. The approved FY 21 budget funded 182 uniformed fire positions as compared with 193 in the prior year budget. There have been no significant changes in minimum manning requirements in the contract approved a year ago, and this has resulted in significant overtime with no offsetting regular payroll savings. COVID 19 vacancies have also exacerbated overtime; however, vaccination levels should reduce this component of cost for the rest of the year.

The Finance Department also projects a deficit in police and fire pension costs for the police and fire pension II plans. These costs are based upon a percentage of pay as computed by the city actuary. It appears that budgeted amounts for these two programs were based upon incorrect payroll data for FY 21. Using correct payroll information, yields a deficit of \$500,000.

#### **Summary:**

The City of Warwick budget for FY 2021 is \$323.5 million including \$171.5 for schools. The school department has not yet provided updated year ending projections. The city recognizes that new and not fully formulated coronavirus Federal education funding is now available and will be incorporated in school estimates. The projections for the city as a whole currently assume that local support for schools as budgeted in the approved city budget from city tax dollars will be sufficient to support the schools for the full year.

Given that assumption, revenues as projected earlier will fall \$1.0 million below budgeted estimates. Expenses are projected to exceed the approved budget by \$200,000. This very modest spending deficit could be qualified by new spending needs as they are identified by the new administration including resolution of lay-off grievances. Absent any critical initiatives for the rest of the year, this results in a net revenue and expense deficit relative to the approved budget of \$1.2 million. This is approximately 3 tenths of 1 percent of the total budget. It should also be noted that unaudited results for FY 2020 indicate a gross improvement of fund balance relative to expectations of \$1.9 million. This would resolve any requirement to produce a corrective action plan as well as the availability of unassigned fund balance at the end of FY 2019 totaling over \$27 million.

This review has not identified any extraordinary expense (although the Fire Department deficit projection is significant) or revenue event having a material impact on the City's overall financial condition. After your office has reviewed the preliminary submission, we will proceed with the CEO signature phase and distribute the report to the City Council.

	Warwick Budget FY 2020-2021 - Mid Year	1/21/2021	Original	Revised
<b>Revenue</b>	Motor Vehicle	\$ 1,350,000		State Aid
	Per Capita	\$ 600,000		State Aid
	PILOT	\$ 150,000		State Aid
	Meals and Beverage	\$ (900,000)		Other
	Airport	\$ (1,000,000)		Other
	Real Estate Fees	\$ 400,000		Other
	Hotel	\$ (700,000)		Other
	Recreation Facilities	\$ (400,000)		Licenses & Fees
	Interest on Short Term Investments	\$ (500,000)		Other
Total Revenue Revisions From Approved Budget		\$ (1,000,000)	\$323,508,909	\$322,508,909
<b>Expenses</b>				
Exec and Admin				
	Clerk	\$ 100,000		
	Collector	\$ 100,000		
	Assessor	\$ 100,000		
	MIS	\$ 50,000		
		\$ 350,000	\$15,432,426	\$ 15,082,426
Public Safety				
	Police	\$ 300,000		
	Fire	\$ (2,600,000)		
		\$ (2,300,000)	\$47,263,993	\$ 49,563,993
Social Services				
	Library	\$ 200,000		
	Parks and Rec	\$ 400,000		
	Human Sevcies	\$ 100,000		
	Senior Tran	\$ 150,000		
		\$ 850,000	\$6,552,135	\$ 5,702,135
Physical Resources				
	Planning	\$ 200,000		
	PW Admin	\$ 200,000		
	Highway	\$ 300,000		
	Sanitation	\$ (100,000)		
	Auto	\$ 200,000		
	Building	\$ 400,000		
	Engineering	\$ 200,000		
		\$ 1,400,000	\$14,436,714	\$ 13,036,714
Employee Benefits				
	Police 2 Contributions	\$ (170,000)		
	Fire 2 Contributions	\$ (330,000)		
		\$ (500,000)	\$68,284,974	\$ 68,784,974
School		\$ -	\$171,538,667	\$ 171,538,667
Total Expense Revisions From Approved Budget		\$ (200,000)	\$323,508,909	\$323,708,909
Net Revenue Expense Change		\$ (1,200,000)	\$ -	\$ (1,200,000)

THE CITY OF WARWICK					
FISCAL YEAR 2021 BUDGET					
STATEMENT OF REVENUES & EXPENSES					
TABLE					
	FY 2021	FY 2021	12/31/2020	PROJECTED	PROJECTED
EXPENSES	ADOPTED BUDGET	REVISED BUDGET	ACTUAL	SURPLUS / DEFICIT	YEAR END
EXECUTIVE AND ADMINISTRATION	15,432,426	15,491,713	8,850,234	350,000	15,082,426
PUBLIC SAFETY	47,263,993	47,395,809	23,733,248	(2,300,000)	49,563,993
SOCIAL SERVICES	6,552,135	6,553,443	2,568,475	850,000	5,702,135
PHYSICAL RESOURCES	14,436,714	14,782,669	5,347,344	1,400,000	13,036,714
EMPLOYEE BENEFITS AND CAPITAL	68,284,974	68,288,370	35,940,747	(500,000)	68,784,974
SCHOOLS	171,538,668	171,538,668	92,271,616	-	171,538,668
<b>TOTAL EXPENSES</b>	<b>\$ 323,508,909</b>	<b>\$ 324,050,671</b>	<b>\$ 168,711,665</b>	<b>\$ (200,000)</b>	<b>\$ 323,708,909</b>
<b>REVENUES</b>					
STATE AID	52,205,208	52,205,208	20,981,981	2,100,000	54,305,208
FEDERAL AID	2,981,666	2,981,666	367,448	-	2,981,666
LICENSES AND FEES	8,487,350	8,487,350	2,542,343	(400,000)	8,087,350
OTHER	15,820,045	15,820,045	4,681,281	(2,700,000)	13,120,045
ENTERPRISE FUND TRANSFERS	3,045,284	3,045,284	1,493,778	-	3,045,284
PROPERTY TAXES	238,121,885	238,121,885	130,594,282	-	238,121,885
FUND BALANCE DRAWDOWN	2,847,471	2,847,471	-	-	2,847,471
<b>TOTAL REVENUES</b>	<b>\$ 323,508,909</b>	<b>\$ 323,508,909</b>	<b>\$ 160,661,114</b>	<b>\$ (1,000,000)</b>	<b>\$ 322,508,909</b>