



OFFICE OF THE CITY MANAGER
CITY HALL
375 MERRIMACK STREET
LOWELL, MA 01852
TELE: (978) 970-4000 FAX: (978) 970-4007
www.blynch@lowellma.gov

*In
cc packets
10/24/08*

Bernard F. Lynch
City Manager

TO: Mayor Edward Caulfield
And
Members of the Lowell City Council

FROM: Bernard F. Lynch, City Manager *bl*

DATE: October 22, 2008

SUBJECT: **MOTION OF 10/14/08 BY COUNCILOR ELLIOTT
"REQUEST THE MANAGER AND THE CHIEF FINANCIAL
OFFICER REPORT ON THE STATUS OF THE FISCAL 2009
BUDGET, STATUS OF REVENUE COLLECTIONS AND
BUDGET EXPENDITURES".**

Attached please find a response from Tom Moses, Chief Financial Officer relative to the above-referenced motion.

If you have any questions regarding this, please do not hesitate to contact me.

Thank you.




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Thomas Moses
Chief Financial Officer

Date: October 16, 2008

To: Bernard F. Lynch, City Manager

From: Tom Moses, CFO 

Re: Quarterly Financial Review

I submit to you the FY 2009 first quarter financial review. I have full revenue and expenditure reports in my office. I will gladly review any portion of our operations in detail if you or anyone else has an interest in doing so.

General Fund

Revenues

Revenues are ahead of our first quarter target. We continue to get evidence of an eroding economy from our revenue numbers, but we anticipated such an economy in our Fiscal Year 2009 budget. When preparing the budget we reduced our expectations about such revenues as motor vehicle excise taxes, building permits, interest, and hotel/motel tax. As a result, even though revenues may be down from 2008, we are still ahead of the 2009 budget. We will continue to pay close attention to revenues. Once the tax rate is set, any adjustments that we need to make will have to come from the expenditure side of the ledger.

Local aid is on track, and because of the efforts of the Governor and the Legislature, we have dodged a bullet in 2009, at least for the time being. Likewise tax collections are strong through the first quarter.

Local receipts are running about \$500,000 ahead of budget, which is about 14% more than we would have expected at this time of the year. There are several reasons. Even though we created an enterprise fund for Water, there are water receipts that have been properly credited to the General Fund. Bills from Fiscal Year 2008 and before are receivables of the General Fund. Any payments on those bills need to credit the General Fund to relieve those receivables. We received some of this revenue, but conservatively did not build into the budget an estimate for this. Surprisingly, we are also ahead in licenses and permits, largely because of payments from the Old Hub Hosiery project on Perkins Street.

We are also ahead of projection on penalties and interest on delinquent taxes and on excise tax collections. It is not surprising that with people paying bills later than usual, interest on overdue taxes is up. The positive variance in excise collections more likely in-

dicates that our reduction in expectations compensated for the economic downturn, as opposed to inherent strength in vehicle sales.

These positive surprises more than offset disappointments in PILOT payments and investment income. PILOT payments lag the budget because the reopening of the L'Energia plant was delayed beyond the quarter. The new PILOT agreement limits our exposure to one quarter of missed payments, so we will be back on track for the balance of the year. Investment income is an ongoing concern for two reasons. The returns on safe, short-term investments have remained very low, despite increases in longer-term interest rates. Also, because we have depleted reserves, there is less principal on deposit accruing interest.

Expenditures

Expenditures are generally under control. With 25% of the year gone, we have spent 22% of the wage lines and 17% of other expenses. We expect wages to be under budget at this point since incentive buybacks occur largely in the third quarter. Similarly, other expenditures, including gas heating and snow removal, do not occur early in the year. Departments and/or areas that have spent more than 25% of budgeted non-wage expenses to date are the Mayors office, Law, Messengers, Debt Service, and Workers Compensation. Debt service payments are larger in the first quarter.

Energy costs are still a concern. Even though we increased our budgets for these accounts and prices have recently declined, we continue to monitor these costs monthly, as we do with all expenses.

Wastewater Enterprise Fund

Rate revenue is slightly behind expectations. This is due to a delay in sending out the first quarter bills. We will catch up throughout the year. It has been offset by collection of more than \$650,000 in retroactive billing to the Town of Chelmsford. This Chelmsford bill was supposed to go out last year, but was delayed due to a dispute regarding its calculation. The dispute has been resolved. We will lose an anticipated \$56,000 in sewer rate relief money that was cut from the State budget this week.

Expenses are in line with expectations, with 21% of wage lines spent and about 25% of other budget lines expended. Debt service payments are larger in the first quarter.

Arena Enterprise Fund

We typically do not record revenue until later quarters, however SMG sent a check for \$100,000 on July 1, 2008. Although this was intended for Fiscal Year 2008, they did not send it, nor did we receive it, until 2009, so it must be recorded as Fiscal Year 2009 revenue. This increases last year's deficit, but will decrease this year's.

Parking Enterprise Fund

Parking revenues are about running about \$50,000 more than anticipated at this point in the year. Performance at the Ayotte and John Street garages increased over last year, while revenue from meters and the Davidson lot are below last year. The Davidson lot was closed for repairs for much of this period.

Wage spending is extremely low so far this year, and is only at 16%. Other expenses are at 35% because of debt service payments.

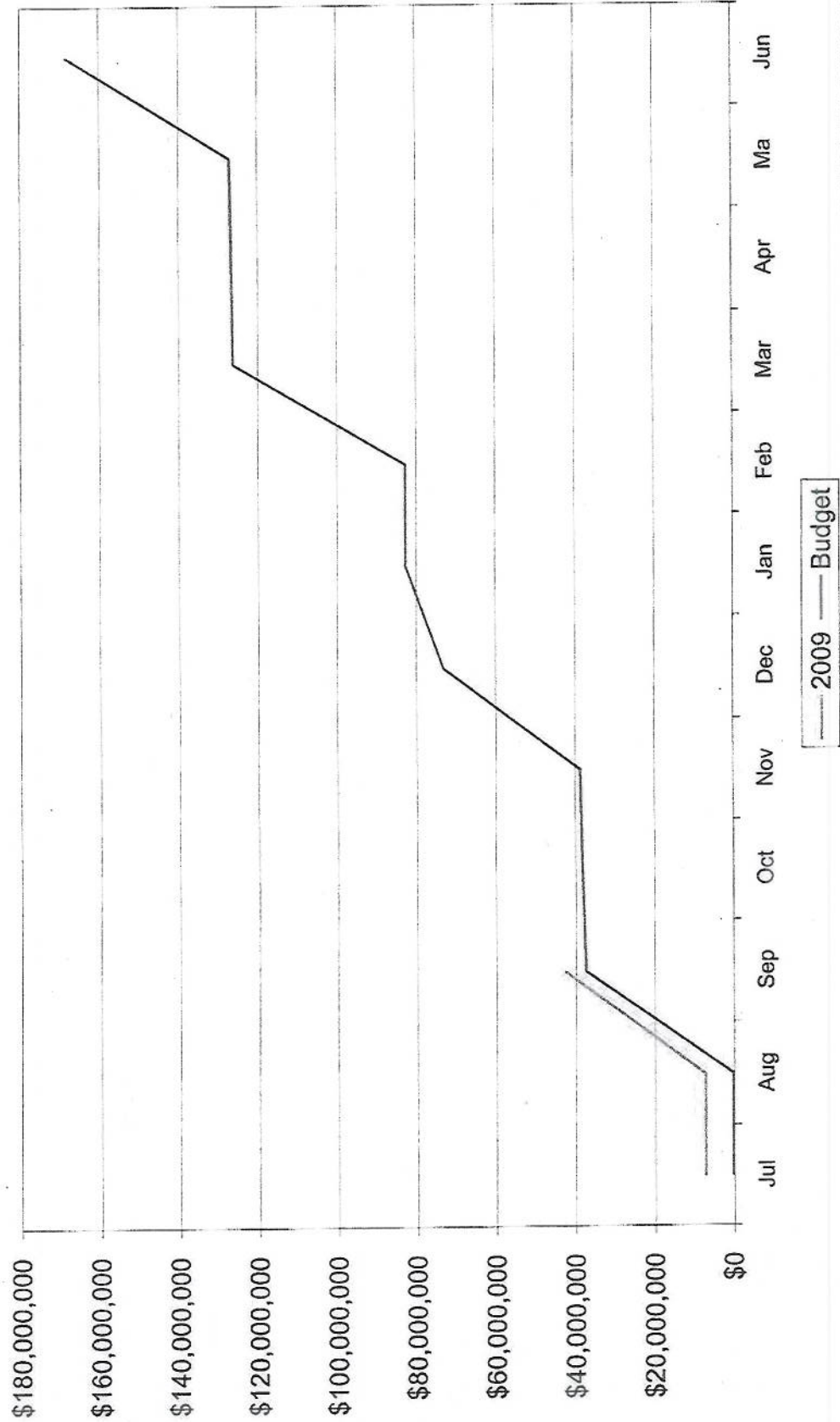
Water Enterprise Fund

Revenue in this newly created enterprise fund is about \$440,000 below expectations. This is mainly due to the delay in sending out first quarter water bills. We will catch up throughout the year.

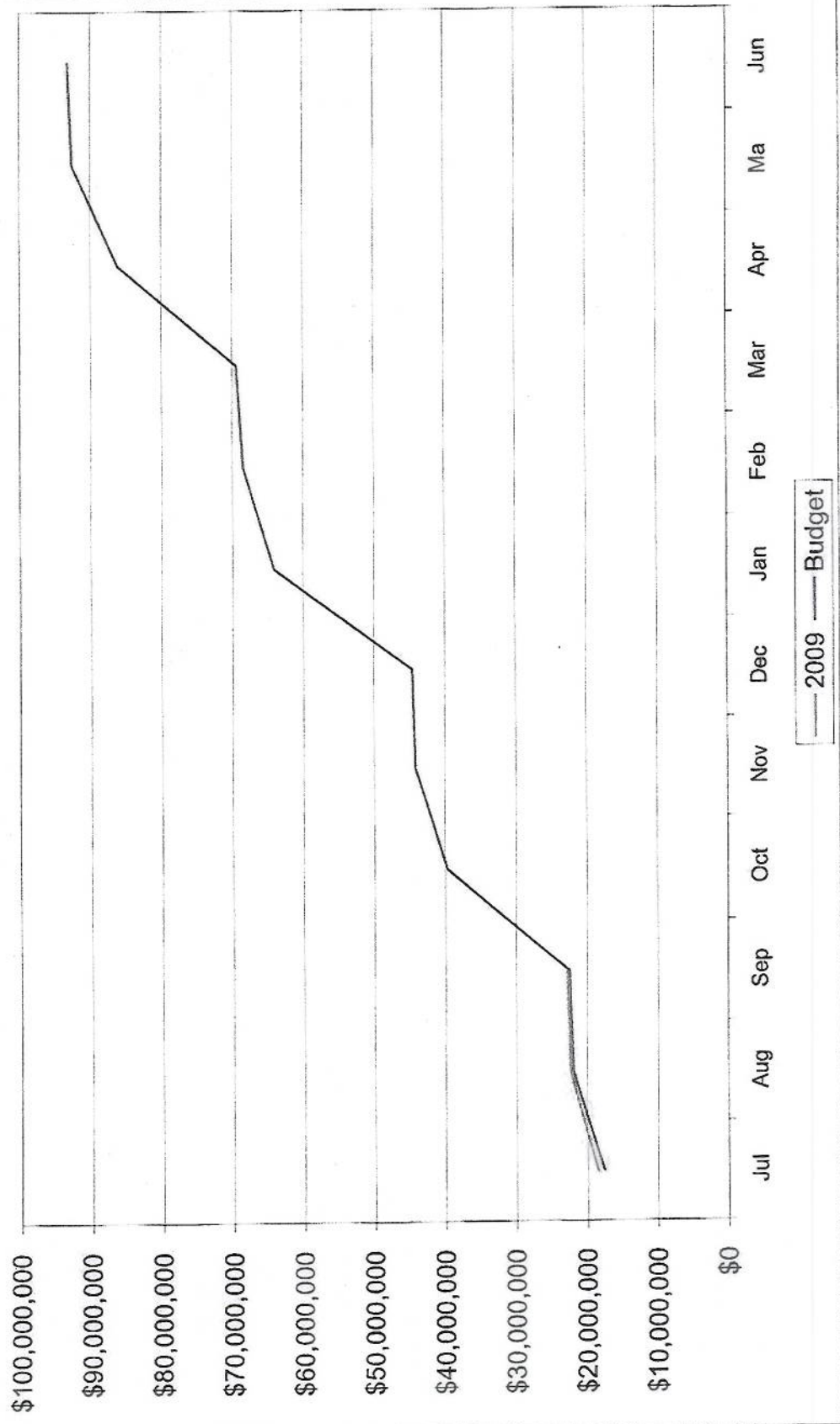
Expenses are in line with expectations, with 20% of wage lines spent and about 27% of other budget lines expended because of debt service payments.

REVENUES

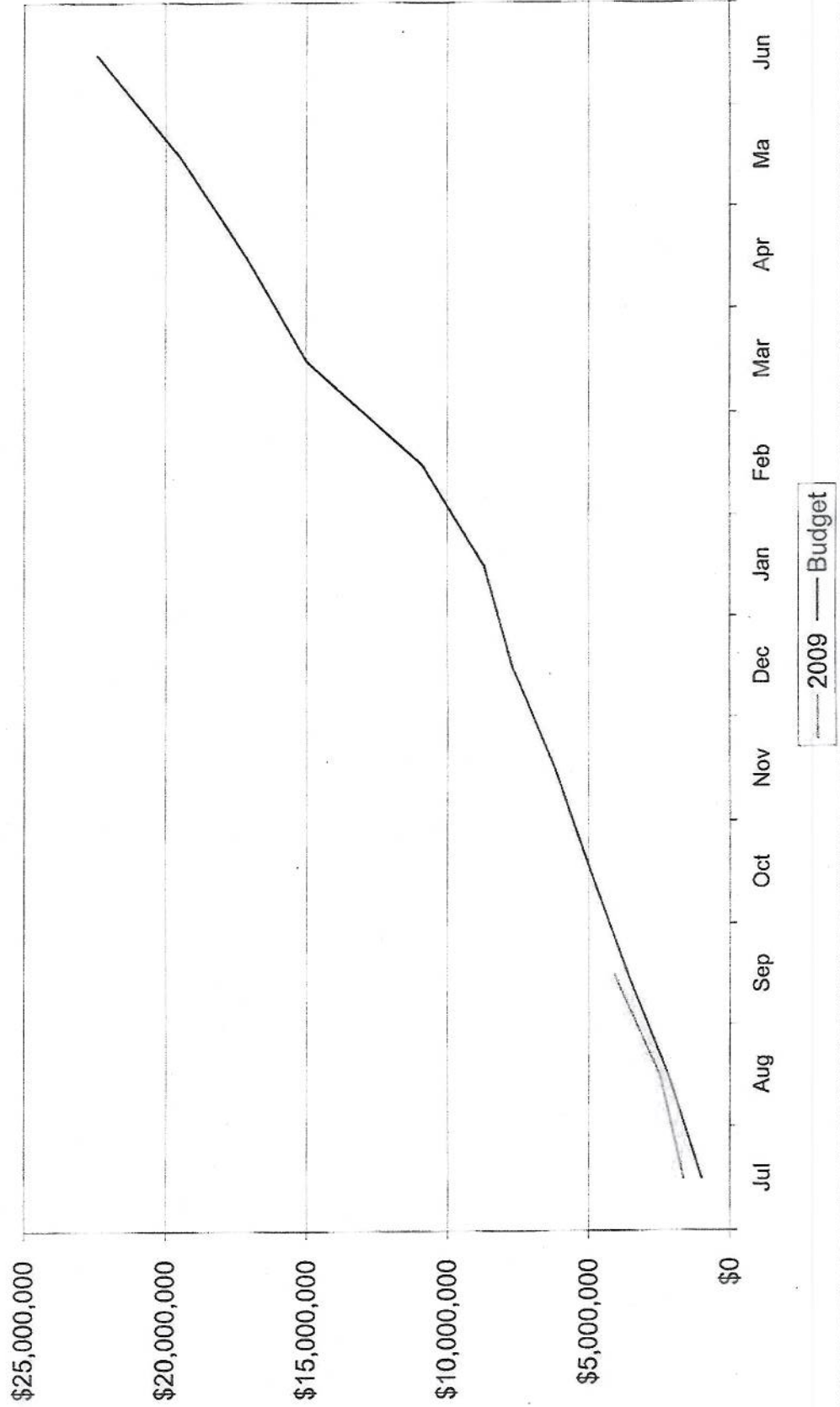
State Aid



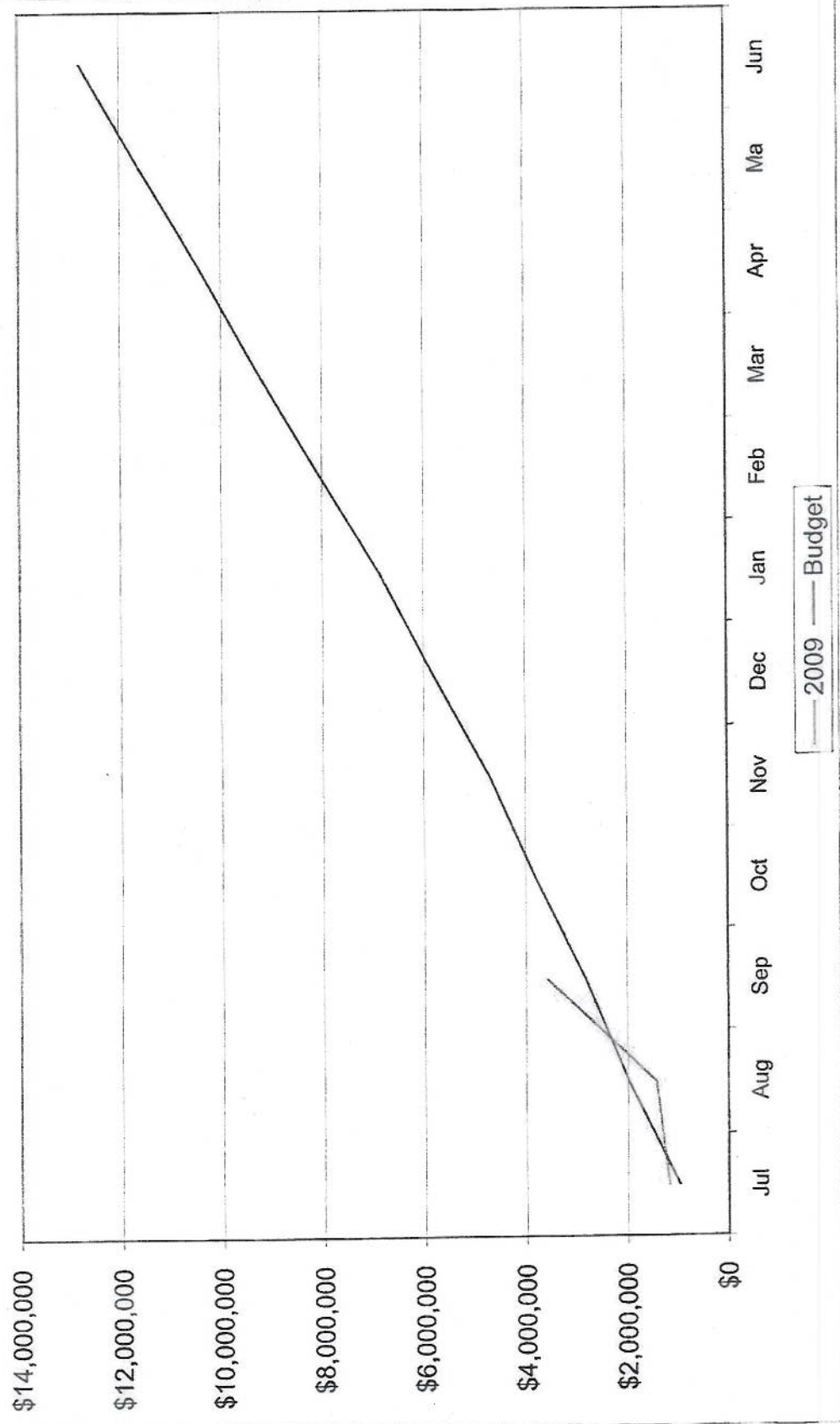
Tax Revenue (Net of Overlay)



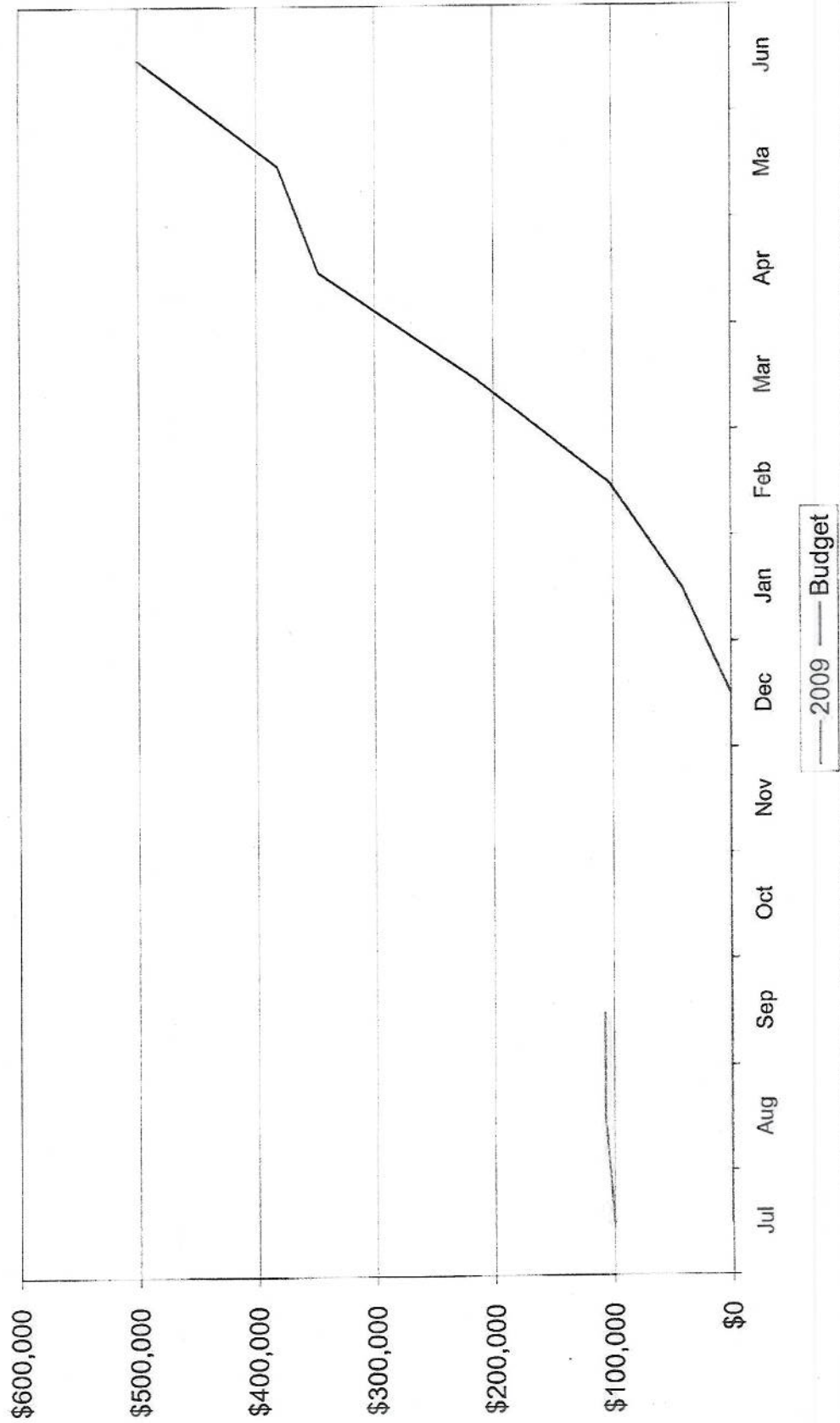
Local Receipts



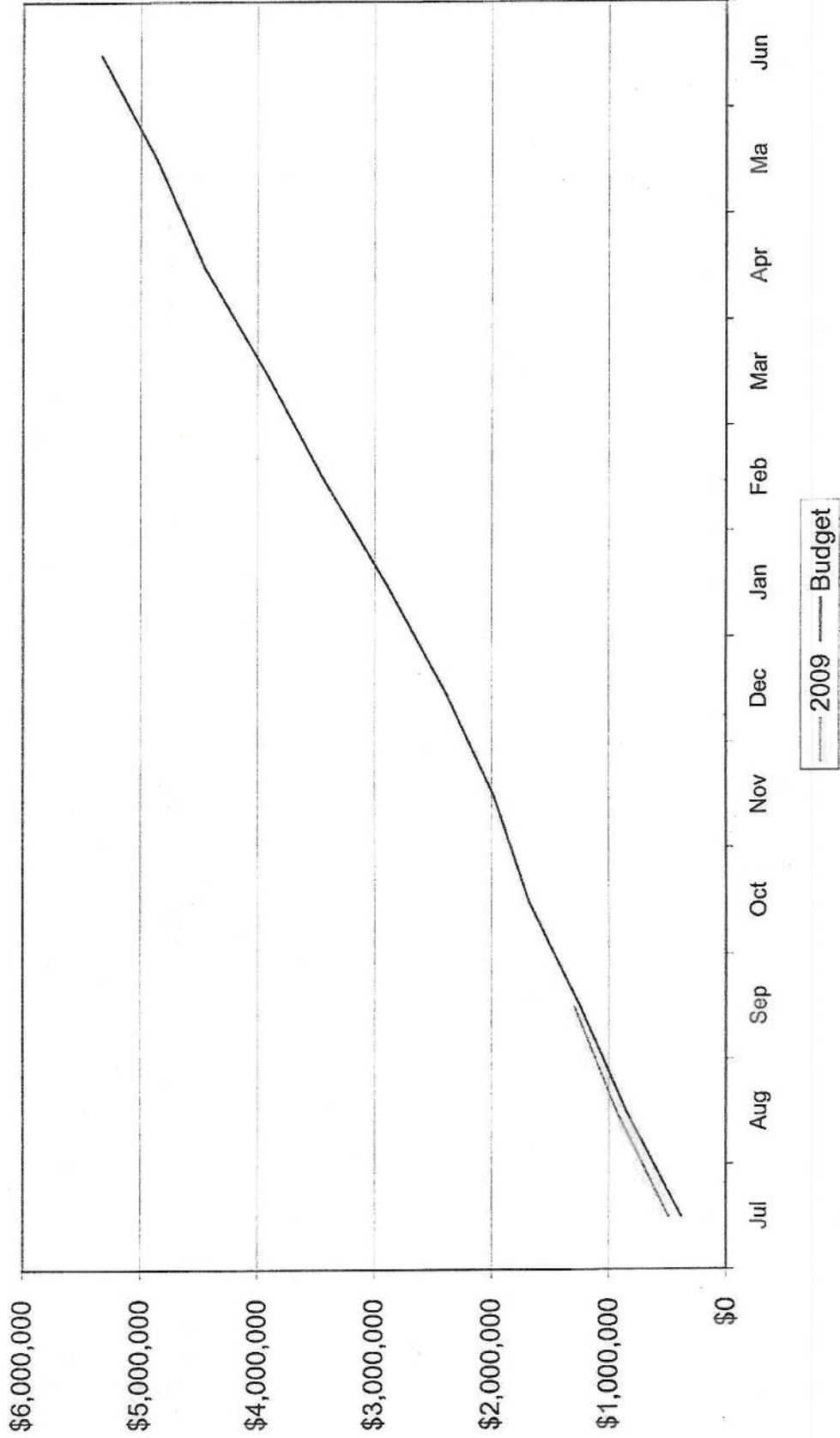
Wastewater Enterprise Fund



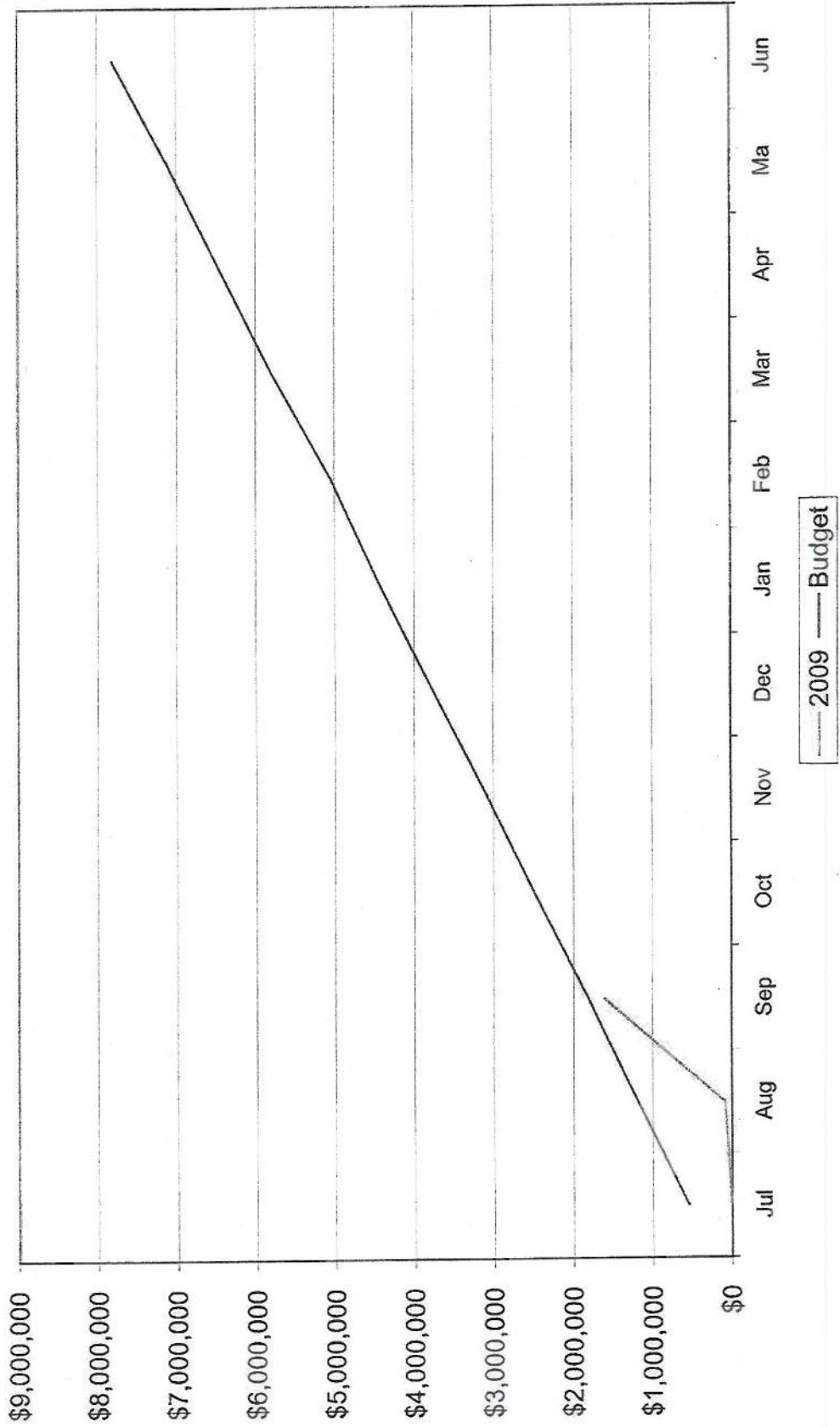
Arena Enterprise Fund



Parking Enterprise Fund



Water Enterprise Fund



EXPENDITURES

EXPENDITURES 1Q 2009

	Actual	Budget	Spent
Schools	15,589,920	141,212,775	11.04%

	Wages			Expenses		
	Actual	Budget	Spent	Actual	Budget	Spent
Council	31,975	139,000	23.00%	-	15,000	0.00%
Mayor	16,130	73,007	22.09%	4,189	13,651	30.69%
Manager	115,742	1,133,145	10.21%	271,027	1,458,493	18.58%
NS	12,637	57,991	21.79%	375	4,425	8.47%
Finance	33,947	150,322	22.58%	-	200	0.00%
Auditing	90,406	413,055	21.89%	16,151	84,975	19.01%
Purchasing	47,403	211,982	22.36%	1,066	9,400	11.34%
Assessors	105,132	473,917	22.18%	4,775	146,327	3.26%
Treasurer	103,662	512,324	20.23%	109,682	452,200	24.26%
Law	190,449	874,672	21.77%	43,692	149,925	29.14%
HR	45,274	174,433	25.96%	1,993	15,500	12.86%
MIS	119,376	542,473	22.01%	186,873	896,954	20.83%
Messengers	52,734	261,409	20.17%	149,443	525,590	28.43%
Telephones	-	-	NA	57,502	305,552	18.82%
City Clerk	70,455	317,394	22.20%	564	20,600	2.74%
Elections	34,251	198,040	17.30%	3,439	34,460	9.98%
Planning Bd	11,919	52,437	22.73%	-	220	0.00%
DPD	195,255	904,705	21.58%	102,233	637,760	16.03%
Police	4,555,706	20,942,355	21.75%	276,915	1,363,748	20.31%
Fire	3,168,172	14,418,025	21.97%	108,795	650,322	16.73%
Inspectional	142,236	642,915	22.12%	10,888	63,700	17.09%
DPW	846,061	3,972,320	21.30%	293,375	1,953,500	15.02%
DPW S & I	-	155,015	0.00%	3,509	425,000	0.83%
Trash	-	-	NA	1,353,903	6,361,243	21.28%
Water	36,339	-	NM	2,808	1,404	199.98%
Cemetery	101,738	488,923	20.81%	20,006	130,233	15.36%
Health	454,456	2,304,895	19.72%	13,675	112,798	12.12%
COA	55,464	243,408	22.79%	26,333	110,336	23.87%
Veteran's	26,325	117,449	22.41%	102,931	519,100	19.83%
Library	155,184	847,597	18.31%	60,087	243,044	24.72%
Recreation	184,123	408,982	45.02%	6,347	58,161	10.91%
Parks	476,042	1,982,522	24.01%	170,112	782,026	21.75%
Pensions	-	-	NA	53,560	14,799,706	0.36%
Debt Service	-	-	NA	7,931,014	21,753,664	36.46%
Vocational	-	-	NA	1,368,368	5,473,473	25.00%
Health Insurance	-	-	NA	3,281,480	19,901,850	16.49%
State Assessments	-	-	NA	134,944	13,364,905	1.01%
Medicare Tax	-	-	NA	300,958	2,050,000	14.68%
Overlay	-	-	NA	-	1,334,634	0.00%
Recap Adj	-	-	NA	-	2,187,316	0.00%
Claims & Judgments	-	-	NA	236,401	960,000	24.63%
Workers Comp	-	-	NA	154,839	565,000	27.41%
Unemployment	-	-	NA	76,365	420,000	18.18%
Street Lighting	-	-	NA	60,486	965,000	6.27%
Total	11,478,592	53,014,712	21.65%	17,001,100	101,321,395	16.78%

EXPENDITURES 1Q 2009

	Wages			Expenses		
	<u>Actual</u>	<u>Budget</u>	<u>Spent</u>	<u>Actual</u>	<u>Budget</u>	<u>Spent</u>
Wastewater	579,459	2,754,021	21.04%	2,149,668	11,629,473	18.48%

EXPENDITURES 1Q 2009

	Wages			Expenses		
	<u>Actual</u>	<u>Budget</u>	<u>Spent</u>	<u>Actual</u>	<u>Budget</u>	<u>Spent</u>
Parking	48,071	299,281	16.06%	603,133	6,142,298	9.82%

EXPENDITURES 1Q 2009

	Wages			Expenses		
	<u>Actual</u>	<u>Budget</u>	<u>Spent</u>	<u>Actual</u>	<u>Budget</u>	<u>Spent</u>
Water	364,004	1,816,404	20.04%	1,410,564	7,103,596	19.86%