

**FINANCIAL REPORT
THREE MONTHS ENDING DECEMBER 31, 2020**

These statements are unaudited and are not the official financial statements of the City but rather are a review of the progress to date each quarter as it relates to the budget. The official financial statements of the City are included in the Comprehensive Annual Financial Report (CAFR) and will be presented to the City Council in the first quarter of each calendar year following the end of each fiscal year (September 30th).

Attached are financial schedules setting forth the status of the major General Government, Special Revenue, Capital Projects and Proprietary Funds for the City of Pensacola for the three months ended December 31, 2020. The financial schedules compare actual results for the three-month period against the City's budget and against comparable percentages of a year ago. Such comparisons are useful in projecting potential problem areas, allowing management to take early corrective action. The City's debt service and investment schedules are also attached for Council's review.

As previously reported to Council in the fourth quarter of FY 2020, the COVID- 19 Pandemic continues to have a negative effect on the economy. However, despite the impact from the COVID-19 Pandemic, Half-Cent Sales Tax, Local Option Sales Tax, and the Local Option Gasoline Tax revenues have shown growth in the first quarter of FY 2021. The COVID-19 Pandemic did affect the Half-Cent Sales Tax and Local Option Sales Tax revenues during FY 2020. The Half-Cent Sales Tax decreased 2.84% and Local Option Sales Tax revenue decreased by 2.28% from FY 2019 to FY 2020. The upswing in the first quarter of FY 2021 is promising. However, other revenues have decreased from prior fiscal year, particularly, within the Franchise Fees and Public Service Tax due to the effects of COVID-19 on business operations and energy consumption. Both revenues and expenditures continue to be closely monitored to assure a balanced budget. Expenditures in total are in line with budgeted projections. Significant variances from the current approved budget are noted in the individual fund narrative below.

The Investment Section of this financial report provides a comparison of interest rates for FY 2020 to FY 2021. Interest Income in the various funds may not meet budget if interest rates continue to trend lower as a result of the COVID-19 Pandemic.

The Legal Services and Fees of this financial report provides a listing of legal services and fees paid through the first quarter of FY 2021.

Contracts and Expenditures over \$25,000 approved by the Mayor have been included in this report with the changing of how the monthly information is being provided to City Council.

The revenues from the Tree Planting Trust Fund received through the first quarter of FY 2021 have been provided.

General Fund:

In total, General Fund revenues exceeded the budget for the first quarter and are mainly attributed to revenues from Half-Cent Sales Tax and the transfer from Pensacola Energy the majority of which were paid during the first quarter. As previously stated, the Half-Cent Sales Tax has shown growth in the first quarter of FY 2021 and is \$36,200 or 4.17% above budgeted levels. During the first quarter total Franchise Fees and Public Service Tax revenues were less than budget by \$382,000 or 11.55%. Communication Services Tax revenue was less than budget by \$31,600 or 5.76% and Municipal Revenue Sharing revenue was also less than budget by \$7,100 or 1.19%.

The uncertainty of the COVID-19 Pandemic continues to effect revenues, however staff will continue to monitor revenue and expenditures. Should adjustments be necessary, a Supplemental Budget Resolution will be brought before City Council to ensure a balanced budget later in FY 2021.

Special Permits within Planning Services are expected to exceed budget by fiscal year end with the reassignment of the zoning plan review from Inspections Services to Planning Services.

The Transfer from the General Fund to the Stormwater Capital Projects Fund appears to exceed budget. Since the Stormwater Utility Fee is on the Property Tax bill, the receipts coincide with the Property Tax Revenues.

First quarter expenditures in total were within budget. All General Fund capital equipment has been funded in Local Option Sales Tax Series IV, therefore the only savings that can be realized are in operating and personal services.

Tree Planting Trust Fund

The Tree Planting Trust Fund revenue and expenditures are recorded in the General Fund. For the first quarter the "Tree Planting Trust Fund" account contributions and interest income equaled \$7,114 and there were no expenditures or encumbrances.

A schedule of the revenues received through the first quarter of FY 2021 has been provided along with the address of the property, the district the property is within, the amount received and the reason for the removal of the tree.

The unencumbered balance in the "Tree Planting Trust Fund" at the end of the first quarter was \$535,121.

Park Purchases Trust Fund

The Park Purchases Fund revenue and expenditures are recorded in the General Fund. For the first quarter the "Park Purchases Fund" account there were no contributions however the Interest Income received was \$234. There were no expenditures or encumbrances.

The unencumbered balance in the "Park Purchases Fund" at the end of the first quarter was \$110,984.

Housing Initiatives Fund

The Housing Initiatives Fund is dedicated to receive specified funds to supplement existing and future adopted Housing Program Initiatives. This initiative moves City-owned surplus properties back into productive use through the development and sale of surplus properties. The proceeds from those sales can be dedicated to expanding existing homeowner assistance programs. These funds have been recorded in the General Fund as the "Housing Initiatives Fund".

On September 10, 2020, City Council adopted Supplemental Budget Resolution No. 2020-36 that shifted the balance of the City's General Fund Inner City Housing Initiatives Fund to the Housing Initiatives Fund in an effort to consolidate those funds to be used towards the purpose of implementing the 500 Homes in Five Years Initiative.

For the first quarter of FY 2021 the "Housing Initiatives Fund" account contributions plus interest income equaled \$1,088 and the expenditures totaled \$2,503. The total balance in the "Housing Initiatives Fund" at the end of the first quarter was \$514,464.

Local Option Gasoline Tax Fund:

Local Option Gasoline Tax revenue were \$10,900 or 4.65% above budgeted levels through the first quarter of FY 2021.

Stormwater Utility Fund:

Total utility fee revenue of \$1,996,200 represents 72.99% of budgeted Stormwater Utility Fee Revenue for the fiscal year.

Fund expenditures are consistent with budget for the first quarter. As stated in the FY 2020 fourth quarter financial statement, a projected fund balance for future year appropriations was \$67,300 after the adoption of Supplemental Budget Resolution No. 2020-59. The resolution included a drawdown of fund balance for the refurbishment of a Street Sweeper and to address the decrease in State Right of Way Maintenance revenues due to the construction and repairs of the General Daniel "Chappie" James Bridge. As mentioned in the Fiscal Year 2021 Budget Message, due to limited resources and increased operating expenses, funding for capital equipment or the establishment of a contingency was not possible. At some point, an adjustment to the Stormwater Utility

Fee may be necessary in order to provide sufficient funding for the ongoing replacement of capital equipment.

City Council allocated \$250,000 from LOST on Supplemental Budget Resolution No. 2020-59 adopted in December 2020 for Street Sweeper replacement.

Parking Management Fund:

For the first quarter of FY 2021 expenditures exceeded revenues by \$45,600. Since FY 2021 is the first year Parking Management came under the management of the City, there is no year over year comparative data. Parking revenues have been impacted by COVID-19 and the closure of the General Daniel "Chappie" James Jr. Bridge due to Hurricane Sally damage.

Expenditures for Parking Management were consistent with budget.

Parking Management is now collecting the Boat Launch Fees. Currently only two of the four boat ramp locations are active, Bayou Texar and 17th Avenue, the other two locations at Sanders Beach and Bayview Park were damaged by Hurricane Sally. No Boat Launch Fees have been collected for the first quarter of this fiscal year due to this damage. However, Boat Launch Fees are anticipated to meet budget by fiscal year end since most of the revenues are deposited during the summer months.

Municipal Golf Course Fund:

During first quarter FY 2021, the Golf Course expenditures (including total City sponsored pension costs) exceeded revenues by \$88,000 before the General Fund subsidy of \$62,500. When compared to FY 2020, revenue for this fiscal year is \$46,600 more than the prior year first quarter revenues. This increase in revenues is mainly due to the warmer weather and essential services provided at Osceola during the COVID-19 Pandemic. The Golf Course was not required to shut down during the COVID-19 Pandemic, thus increased play resulted as the ability to be socially distant was made possible at the Osceola Golf Course.

During the first quarter of FY 2020, 4,348 rounds were played plus 1,155 of driving range usage and in the first quarter of FY 2021, 6,236 rounds were played plus 1,978 of driving range usage, an increase of 1,888 rounds and an increase of 823 driving range usage. Staff will continue to advertise the golf course through local media outlets as well as continue to keep the golf course's website updated. Additionally, Staff will continue to monitor revenues and implement various strategies as appropriate.

Concession payments from Fusion Grill, Inc. are current through the first quarter of FY 2021.

Expenditures at the Golf Course are consistent with the adopted FY 2021 budget.

Inspection Services Fund:

In total, expenditures (including total City sponsored pension costs) exceeded revenues by \$127,800. When compared to FY 2020, revenues for this fiscal year exceeded prior year through first quarter by \$197,600. This is due to the continued strong construction activity locally and demand for housing. Revenue increases are primarily in Building Permits and Permit Application Fees.

Expenditures for Inspection Services were consistent with budget.

Roger Scott Tennis Center:

The City's three-year contract that began on January 1, 2018 with Gulf Coast Tennis Group, LLC for the operation and management of the Roger Scott Tennis Center has been extended through March 31, 2021 due to COVID-19 while a new contract is being prepared. As part of the current contract, the City receives a minimum annual guaranteed revenue of \$125,000, which is estimated to fund the City's cost of operations. For the first quarter, revenue exceeded expenditures by \$20,600. Activity at the Roger Scott Tennis Center has declined due to the COVID-19 Pandemic, but is expected to increase over the coming months. Expenditures are not anticipated to exceed budget by fiscal year end.

To help businesses cope with the economic impacts of COVID-19, the City offered a commercial rent/lease deferral program to qualified lessees through June 30, 2020. Under the program, businesses were allowed to apply for deferrals on rent payments due in April, May, and June. Deferred payments are required to be paid in equal installments over a 12 month period or over the months remaining on the existing lease, whichever is the lesser period, commencing July 1, 2020, along with the rent/lease payment, which is also due on those dates. The Gulf Coast Tennis Group applied for and received approval for the deferral. The remaining balance of \$18,229 will be received during Fiscal Year 2021.

The following is a comparison of the activity at Roger Scott Tennis Center between Fiscal Years 2020 and 2021.

	<u>1ST QTR FY 2020</u>	<u>1ST QTR FY 2021</u>	<u>DIFF</u>
Daily Participants			
Hard Courts	443	372	(71)
All Courts (Includes Clay Courts)	859	695	(164)
Sub-Total	<u>1,302</u>	<u>1,067</u>	<u>(235)</u>
Playing Members	<u>5,823</u>	<u>4,852</u>	<u>(971)</u>
Sub-Total	<u>7,125</u>	<u>5,919</u>	<u>(1,206)</u>
Instructional Students	8,365	7,202	(1,163)
Rentals/Special Events/Programs	3,406	1,720	(1,686)
Total Players	<u>18,896</u>	<u>14,841</u>	<u>(4,055)</u>

Community Maritime Park Management Services Fund:

For the first quarter of FY 2021, Park Operations revenues were higher than expenses (including total City sponsored pension costs) by \$83,900 (excluding Renewal & Replacement). The higher than normal revenues can be attributed to the "Parcel Option Payments" which were \$321,500 for the first quarter. Expenditures normally exceed revenues through the fourth quarter of the fiscal year when the majority of the revenues generated at the Community Maritime Park are received or accrued. When compared to FY 2020, revenue for this fiscal year is \$300,000 higher the prior year for the first quarter. The Community Maritime Park is another area that has been impacted by the COVID-19 Pandemic. There have been limited activities at the park recently, however College Baseball has resumed with the first game of the season being played on January 30, 2021. Additional activities are expected to resume at the park during the remainder of the fiscal year.

Events held at the stadium include a fireworks show, a Summer Movie Night Series with fireworks, a new ball park golf competition, Gourmet Dining at the Home with the Blue Wahoos Diamond Dinners, along with the Blue Wahoos baseball & University of West Florida football games. Due to COVID-19, wearing a face mask and physical distancing is required inside of the Blue Wahoos Stadium and while moving throughout the ballpark to help all enjoy the shows and activities.

Expenditures were consistent with budget.

Local Option Sales Tax Fund:

First quarter revenues exceeded budget by \$47,500 or 2.88%. Expenditures in total were consistent with budget for the first quarter. Once the final impact is known of the COVID-19 Pandemic to the Local Option Sales Tax revenues, projects may need to be adjusted to address the revenue shortfall, should it appear to impact the life of the Local Option Sales Tax Series IV plan.

All bond eligible expenses have been accounted for separately. An extension of the Local Option Sales Tax was approved in November 2014 and began January 1, 2018. It will expire on December 31, 2028. This is the fourth series of the Local Option Sales Tax. However on October 18, 2017, the City issued the \$25 million Infrastructure Sales Surtax Revenue bond, Series 2017 in order to fund projects identified in the LOST IV Plan.

It is anticipated that a draw upon the City's pooled cash to cover cash shortfalls in the fund will occur. This is projected to be necessary through the end of the life of the LOST IV Series. Also, fund balance may be negative based on anticipated project completion dates.

Stormwater Capital Projects Fund:

The \$1,996,200 transfer from the General Fund to the Stormwater Capital Projects Fund equaled the revenue fee collection in the Stormwater Utility Fund. First quarter expenditures were within budget.

Gas Utility Fund:

Appropriated fund balance in the amount of \$1,865,000 and operating revenue were below gas operating expenses and encumbrances (including total City sponsored pension costs) by \$5.9 million for the first quarter. The majority of capital outlay, debt service and transfer expenditures occurred in the first quarter but will level out over the remainder of the fiscal year.

FY 2021 revenues were below first quarter FY 2020 revenues of which the majority is due to a decrease in Commercial User Fees in the amount of \$414,200. This can be attributed to the impact of COVID-19 on local restaurants and businesses that utilize natural gas.

Pensacola Energy utilizes recovery mechanisms for Weather Normalization Adjustment (WNA), Purchase Gas Adjustment (PGA) from the warm winter and an additional 10¢ in the Purchase Gas Adjustment (PGA) calculation to restore the Pensacola Energy reserve. At the end of the first quarter, \$366,711 was collected.

As reflected in the rate study and in accordance with the plan that Pensacola Energy submitted to the state Public Service Commission for the replacement of cast iron and steel pipes, the Infrastructure Cost Recovery began in FY 2013. This fee is charged for expenses that were made in the prior fiscal year. For the first quarter of FY 2021, \$745,900 has been received from Infrastructure Cost Recovery Revenue.

Pensacola Energy's rate structure includes an annual inflation adjustment component based on the Consumer Price Index (CPI) providing funding needed for operations and capital requirements to maintain the natural gas system. However, due to the economic impacts of COVID-19 there was no increase based on CPI was included for FY 2021 but should be addressed in the FY 2022 Budget.

In total, expenses for the Gas Utility Fund were consistent with budget for the first quarter.

Sanitation Fund:

In total, appropriated fund balance in the amount of \$1,206,800 and operating revenue were below operating expenses and encumbrances (including total City sponsored pension costs) by \$1,215,500 for the first quarter. This is mainly due to the purchase of capital equipment during the first quarter of FY 2021. Sanitation Fund revenues for FY 2021 were \$144,700 above the FY 2020 revenues for the same time period.

There were no Federal CNG rebates received during the first quarter of FY 2021. Rebates will be used to offset the cost of capital equipment.

Due to the impacts of COVID-19 felt within the community, no sanitation rate increase based on CPI was included in the FY 2021 Budget. However, a \$1.00 per month increase to the Sanitation Equipment Surcharge was included in FY 2021 to provide funding for much needed capital equipment replacements. In order to maintain future operations and capital requirements the sanitation rates will need to be addressed in the FY 2022 Budget.

In total, first quarter Sanitation expenses were consistent with budget.

Port Fund:

First quarter the Port has an appropriated fund balance of \$251,700 and operating revenue (including \$15,400 transfers in from the Local Option Sales Tax Fund) were below operating expenses and encumbrances (including total City sponsored pension costs) by \$153,800. Operating revenues for FY 2021 were \$90,500 above the FY 2020 operating revenues for the same time period. The majority of this increase is due to an increase in Wharfage, Storage, and Interior Lighting revenue. These increases can be attributed to the Port Tariff rate revisions that went into effect in February 2020, which included increases in dockage rates and security fees, and the increased imports of wind generator component feedstocks for the local plant of GE that has resulted in double utilization of the Port of Pensacola.

Port expenses, in total, were at budget and are \$34,600 above FY 2020 expenses for the same time period. Due to the previously mentioned increased activity, revenues and expenses continue to be closely monitored at the Port.

Airport Fund:

Appropriated fund balance of \$7.2 million and operating revenue exceeded expenses and encumbrances (including total City sponsored pension costs) by \$669,600 for the first quarter. The Airport has received funds from the CARES Act to help with Operations and Maintenance recovery of the COVID-19 Pandemic as well as supplementing any revenue shortfalls. To date the Airport has received \$5 million in total funding.

When comparing December 2019 (FY 2020) to December 2020 (FY 2021), passenger traffic at Pensacola International Airport has decreased by 40.21%. For the three months that comprised the first quarter of FY 2021 (October, November, and December), the number of passengers decreased by 38.38% over the same period in FY 2020. The decrease is due the COVID-19 Pandemic and general economic conditions.

Airport operating revenues were \$2,126,500 below the FY 2020 operating revenue for the same time period. Airline Revenues were also below the prior year by \$983,600 and Non-Airline Revenues were \$1,142,900 below prior fiscal year. The decrease in Airline Revenues is mainly attributed to Airline Rentals, Baggage Handling System, Loading Bridge Fees, Apron Area Rentals, Air Carrier Landing Fees, Cargo Landing Fees and Ron Ramp totaling a \$821,400 decrease over the prior year. Signatory Air Carrier Landing fees are currently \$0.29 per 1,000 lbs. as compared to last fiscal year when the

charge was \$0.48 per 1,000 lbs. All Air Carrier Landing Fees are recalculated annually. The bulk of the Non-Airline Revenue decrease is from Parking Lot Revenues which were below the prior fiscal year by \$955,300. Combined revenues collected from CFC Rental Car Service Facility, Airport & 12th Property and Interest income were \$168,100 below the prior year.

During the first quarter of FY 2021, the transportation industry continues to experience the ongoing effects of the COVID-19 pandemic, with passenger traffic dropping significantly (>60%). Airport Management continues to review the situation as it progresses, taking appropriate budgetary action.

It should be noted, that the Airport's agreement with the airlines provides for the airlines to fund any shortfall, excluding incentives, should they occur. City Council has approved new airline agreements establishing the business strategy and rate making formula for the Pensacola International Airport. These five-year agreements use an industry-standard structure to allow the Airport to continue to maintain full financial self-sufficiency with no reliance on the City's General Fund.

Expenses for the third quarter are consistent with budget.

Insurance Retention Fund / Central Services Fund:

These funds are categorized as internal service funds. They provide services to the City's other operating funds. Revenues and expenses in these funds were consistent with budgeted levels.

Investment Schedule / Debt Service Schedule:

Also provided for information is a listing of City investments and a listing of the City's various debt issues.

The weighted interest rates received on investments during the first quarter of the last three fiscal years are as follows:

	<u>FY 2021</u>	<u>FY 2020</u>	<u>FY 2019</u>
October	1.06%	1.96%	1.77%
November	1.07%	1.76%	1.81%
December	0.40%	1.52%	1.84%

Legal Costs Schedule:

A schedule of legal costs paid to attorneys and/or firms who have provided services to the City has also been included in the quarterly report. This schedule lists the payee, the amount paid and the nature of the services provided to the City.

Contracts/Expenditures Over \$25,000:

A schedule of contracts and expenditures over \$25,000 approved by the Mayor have been included for the months of October, November, and December.

Tree Planting Trust Fund:

The Tree Planting Trust Fund Schedule in this financial report provides the revenues received through the first quarter of FY 2021 along with the address of the property, the district the property is within, the amount received and the reason for the removal of the tree.