



Preliminary Financial Reports

(unaudited)

December 31, 2020

Dear Mayor Davis, Members of the Commission, and Mr. Donald:

Consistent with the practice of keeping the Mayor and Commission apprised of the financial condition of the government, we present the preliminary financial reports of several major operational funds for the year ended December 31, 2020. This presentation differs slightly from that of the quarterly financial reports, which is a cash basis report with the focus on several major funds. This format more closely resembles that of the yearend financial audit. The General Fund and Law Enforcement Fund have been combined. Revenue and expenditures from the CARES Act are included.

The results presented today are preliminary and may differ from the results reported in the annual audit. The audit reporting combines several operating funds into the general fund as required by auditing standards. The attached reports present preliminary results of the combined General and Law Enforcement funds, Urban Services fund, Fire Protection, Water and Sewerage, Garbage Collection, Augusta Regional Airport and Stormwater Funds on an operational basis. Reports for Sales Tax collections are also included since these revenues have a major impact on the level of our governmental operations.

For the 2020 fiscal year, with no further accruals or adjustments, the General and Law Enforcement funds combined would show total revenue exceeding expenditures by \$3,822,159 or approximately 2.18% of the total budget of \$175,004,350. Under GAAP (General Accepted Accounting Principles), we are required to make accruals for obligations for expenditures that were incurred but not expended at fiscal yearend. Adjustments for the timing of revenue collections such as ad valorem taxes are also required. These adjustments will be prepared both by staff and by external auditors over the next several months. The final audited statements are normally due to the state 180 days after the close of our fiscal year – by June 30, 2021, however the Department of Audits and Accounts has granted an automatic three-month extension to September 30, 2021 as a result of the ongoing pandemic repose. It is the intention of the Finance department to complete the audit by the original deadline of June 30, 2021 in order to avoid overlap with the 2022 budget process.

There are several departments and special revenue funds that require additional support to offset funding that did not reach budgeted levels. We will bring forward a recommendation for additional funding for these funds when the March 31, 2021 financial reports are presented. At that time, we will have finished our audit preparation and will have completed 2020 activity on those funds.

Conditions from the continuing pandemic affect both our personal and financial well-being. Augusta received \$10.3 million in GeorgiaCARES Act funds. This activity is reported in the combined General Fund. Additional distributions related to the CARES Act whose use is specifically limited to use in restricted areas are \$4.82 million Housing and Neighborhood Development from HUD, \$6.42 million from FTA for Transit, and \$19.38 million from FFA for Augusta Regional Airport. These allocations are reported in their respective funds.

As expected, sales tax collections were dramatically impacted by the pandemic. Regular collections during 2020 were 5.55% (\$2.2 million) lower than the previous year. Approximately \$1 million of this amount may be attributed to the postponement of the Masters Tournament in April. The sales tax distribution for August which was received in September included a \$2.06 million audit adjustment, with the following explanation provided by the Georgia Department of Revenue: *During an audit it was discovered that several companies that were using the same tax software were misreporting the allocation of sales taxes between the State and Local Governments. The time period involved was from 2015 to 2018 and the issue was resolved starting in 2019.* The timing of the adjustment was fortuitous. When the audit adjustment is included, collections for 2020 are \$148,000 lower than the previous year.

This communication would feel incomplete without mention of the 2014 ice storm. I am thrilled to report that payment for the final remaining outstanding approved claim was received in May of 2020. That check for \$1,013,297.41 effectively closes the book on that chapter of Augusta's financial story.

While the increase in the fund balance of the general fund is a positive, I would like to remind everyone that the increase was due in part to a onetime infusion of CARES acts funds. More information related to that subject is included in the accompanying reports. Even as the economy starts to recover from last year, there are still many unknowns to be faced such as revenue shortfalls, increased healthcare costs, and increased operating costs from new safety standards.

The Fire Protection Fund is currently projected to add \$2.7 million to its fund balance at the conclusion of 2020. Insurance premium tax distributed by the State of Georgia Department of Insurance Commissioner is the major source of revenue for this fund and exceeded budget projections by \$687,500. Expenditures, of which over 80% is salaries and benefits, totaled 96.6% of budget. The addition to fund balance will provide resources for the new fire station on Gordon Highway, offset the loss of revenue from ambulance billings, and the budgeted use of fund balance in the 2021 budget.

The Water and Sewer fund continues to show growth in business, consumer and Fort Gordon revenues and operational results continue to be positive. The goal of the system is to reduce the need to fund capital projects by issuing bonds and to pay for capital projects using funds generated from operations.

The Stormwater Utility program completed its fifth year of operation in 2020. Revenues exceeded expenditures by \$438,000, which will be added to fund balance to provide resources for the continued expansion of these services.

This communication would be incomplete without mention of the Streetlight special revenue fund. Its deficit increased by \$683,800 in 2020 and now stands at \$2,981,651. Without a clear path forward to eliminate the fund balance deficit and provide adequate annual funding, our auditors have indicated that a transfer from the General Fund may be required.

One of the few bright spots from this past year has been historically low interest rates. We were able to take advantage of these low rates with the refunding of the 2010 Coliseum Authority Revenue bonds and the 2015 URA Laney Walker Bethlehem redevelopment bonds. We continue to monitor potential refunding opportunities on a regular basis with our financial advisor.

Please remember that the statements received today are *preliminary*. Audited statements for all funds for the fiscal year ending December 31, 2020 will be presented to the Commission in late June or early July depending on the timing of the completion of the reports and scheduled commission meetings.

Sincerely,

Donna B. Williams, CGFM
Finance Director
Augusta Richmond County

Today's Discussion

- Good News
- Bad News Avoided
- Results not Final
- Adaptations – Here Comes the Calvary
- Individual Funds
- Sales Tax Charts
- Upcoming Events

Good News

- Funds with year end surplus:
 - General Fund \$3.8 million
 - Fire Protection \$2.7 million
 - Water & Sewer \$3.4 million
 - Garbage Collection \$819,000
 - Augusta Regional Airport \$1.1 Million
 - Stormwater Utilities \$438,000
- CARES Act funding for restricted use
 - \$4.82 million from HUD for Housing and Neighborhood Development
 - \$6.42 million from FTA for Transit
 - \$19.38 million from FFA for Augusta Regional Airport
- TSPLOST (TIA)
 - Collections \$835,000 more than budget and \$407,000 higher than the previous year
- Final report mentioning 2014 Ice Storm
 - Remaining outstanding claim payment received May 2020

Bad News Avoided

- Sales tax collections drastically affected by pandemic were largely offset by one-time audit adjustment from DOR covering years 2015-2018. End result: Collections \$1.9 million below budgeted amount and \$148,000 lower than 2019
- Increased pandemic related expenditures for federally required paid leave, PPE, health care costs, etc. were offset by \$10.3 million funding from CARES Act

Results not final

- These reports contain unaudited financial information and will be subject to adjustments proposed during the 2020 audit process.
- Final audited reports are targeted for completion by June 30, 2021

Adaptations as the world changed

In 2020 Augusta had approximately 70 days of “old normal”. March 13-16 saw a rapid succession of emergency declarations by the President, Governor, and Mayor. Businesses were closed, public facilities closed, employees worked in staggered shifts or remotely, and the world started to feel the impact of COVID-19.

There were new restrictions on gatherings, businesses allowed to operate – and the levels allowed, moratoriums on evictions and utility cutoffs.

Cleaning supplies, PPE and technology items were in short supply.

What did that mean financially?

- Increased operating costs due to higher quantity and higher price of cleaning supplies and PPE
- Decreased income stream from utility payments, licenses, court related transactions and halt to all recreation programs
- Decrease in sales tax collections
 - Related to business closures –restaurants, hotels
 - Shift from point of sale to online purchases
 - Decreased consumer spending due to uncertainty and higher unemployment

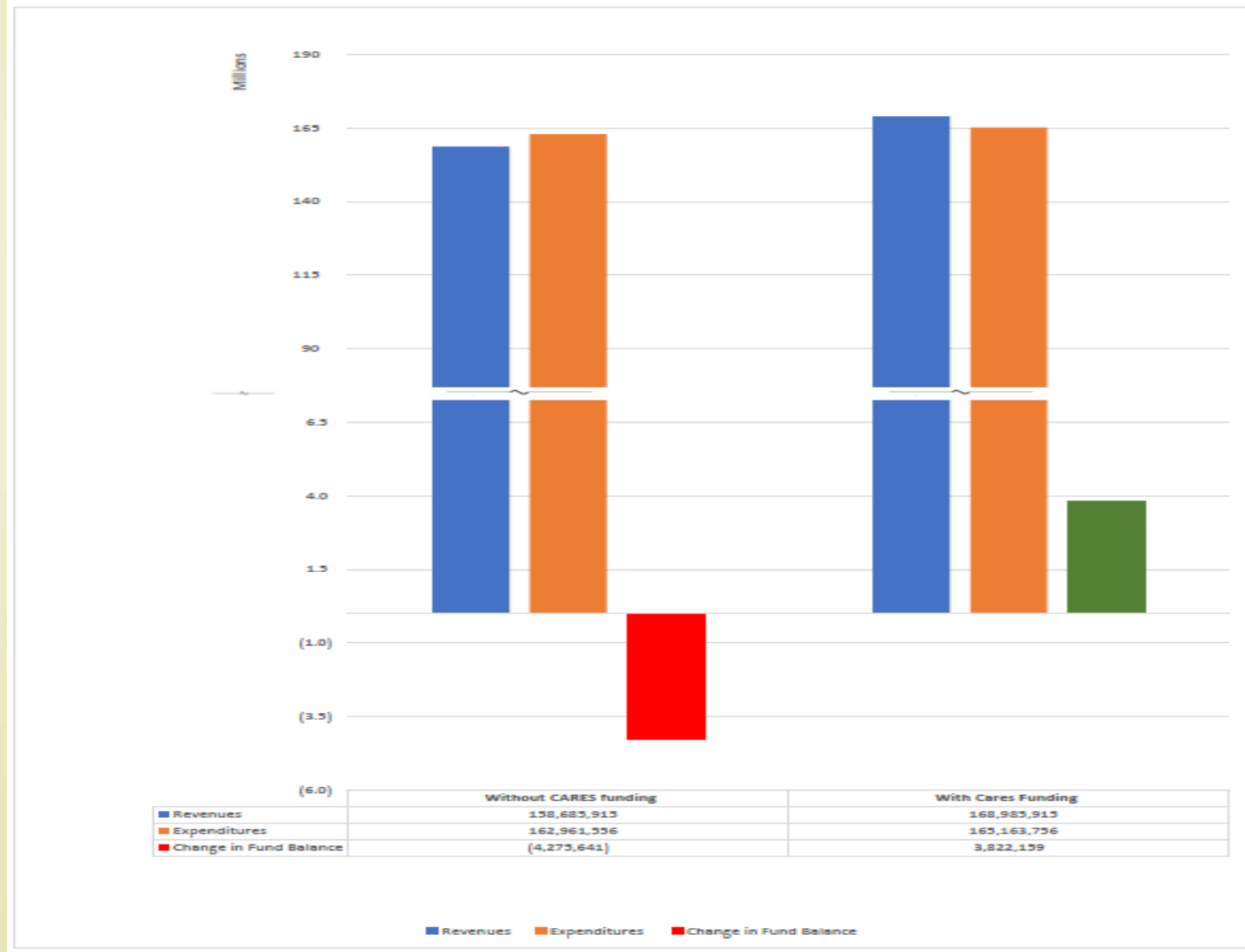
Here Comes the Calvary – CARES Act

- Passed by Congress March 27, 2020
- Distributed to States and Local Governments with population over 500,000
- Announcement by Governor Kemp June 29, 2020 of distribution process to remaining governing bodies in state
 - Phase One 30% of \$1.23 billion (Augusta \$10.3 million)
- Notice of Elimination of Phases Two and Three – October 15, 2020

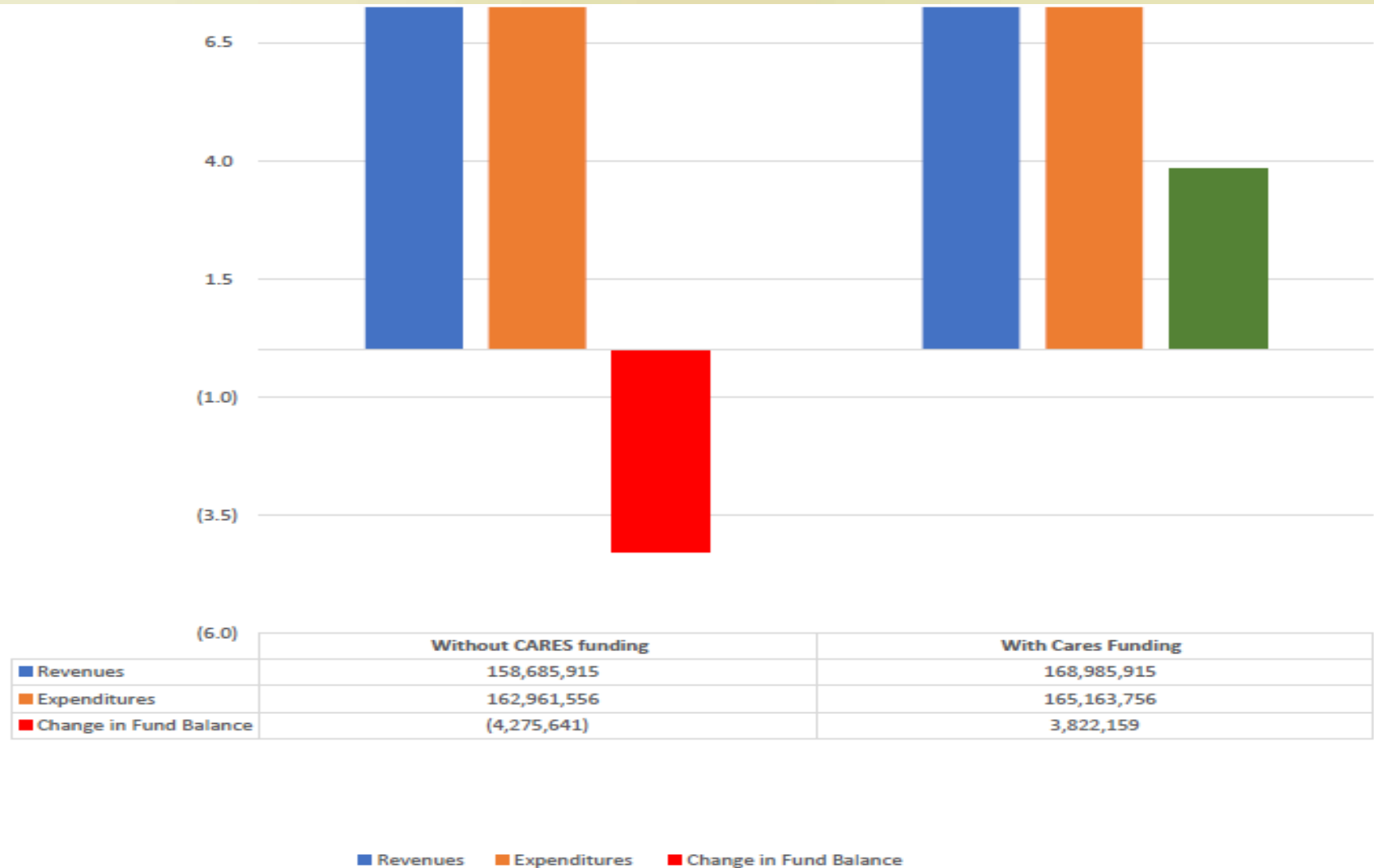
Impact of GeorgiaCares Funding

	<u>Proposed</u>	<u>Actual</u>
Georgia CARES Act Funding	\$10,300,000	\$10,300,000
Amounts needed to cover related expenses		
COVID-19 Medical Expenses incurred	1,600,000	2,000,000
COVID-19 Medical Expenses <i>anticipated</i>	1,400,000	-
Hazard Pay	1,800,000	1,466,800
PPE & equipment	1,500,000	1,324,022
Family First Coronavirus Response Act	500,000	617,000
Public Safety increased overtime	250,000	917,850
Election Expenses	250,000	250,000
Commission Appropriations		
Paine College funding	1,400,000	1,400,000
Total Obligated	<u>8,700,000</u>	<u>7,975,672</u>
Unallocated	<u>\$ 1,600,000</u>	<u>\$2,324,328</u>
	<u>Remaining Balance</u>	<u>2021 obligations</u>
Increased costs for Mass Jury Selection - Use of JBA	225,000	225,000
Elimination of Alcohol Licenses	1,200,000	1,000,000
COVID-19 Medical Expenses -2021	-	750,000
Estimate for PPE - 2021	-	349,328
	<u>175,000</u>	<u>-</u>

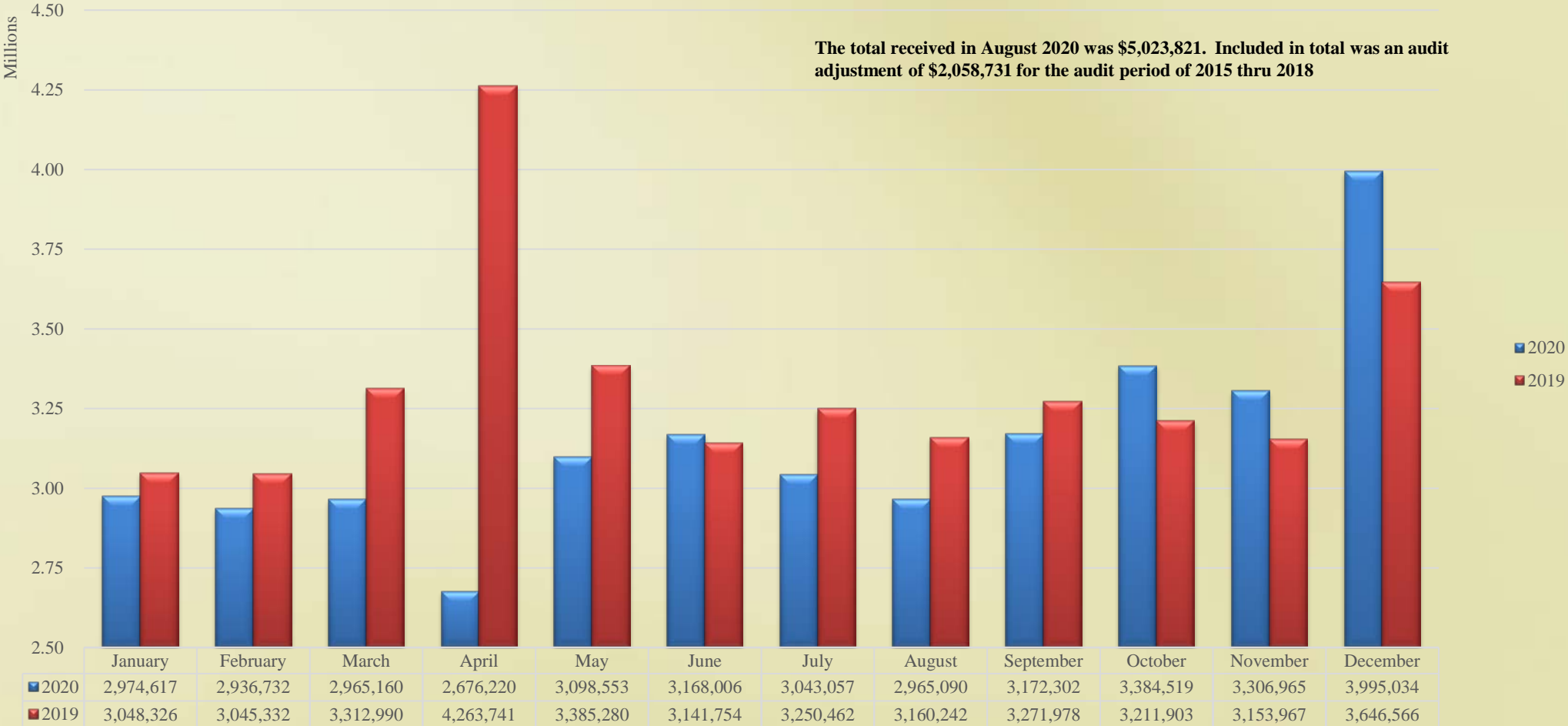
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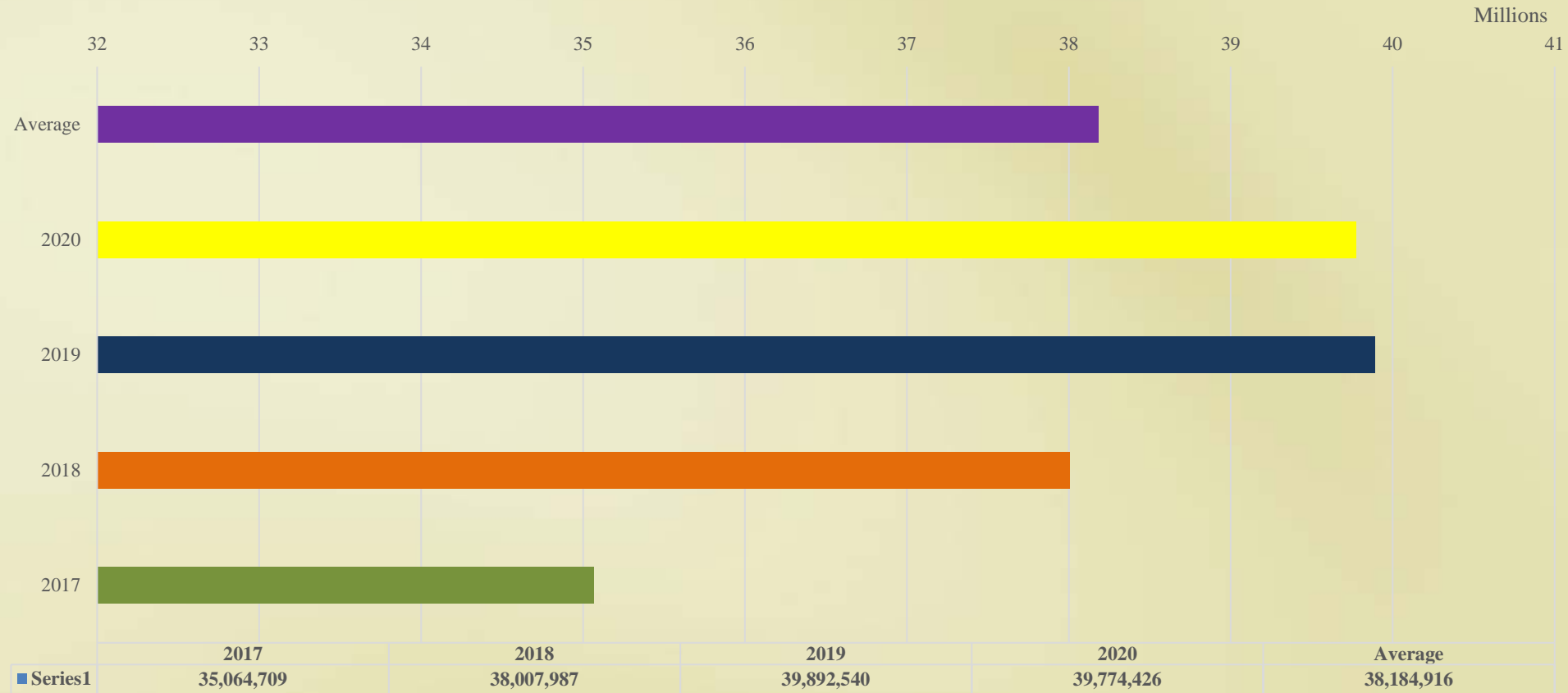
GEORGIACARES effect on Fund Balance



Sales Tax Collections (LOST) 2019 and 2020



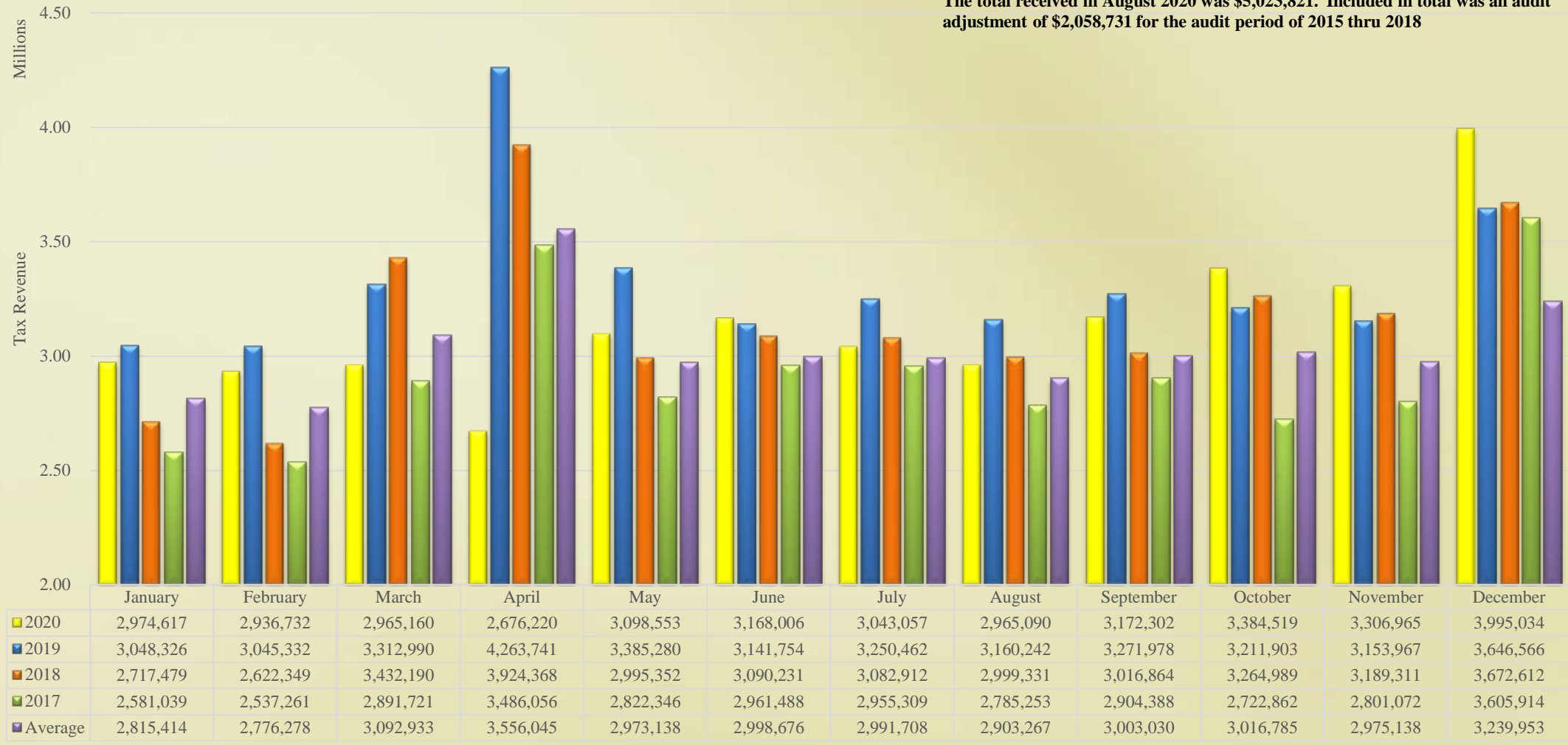
Annual Sales Tax Collections (LOST) 2017 to 2020



The total received in August 2020 was \$5,023,821. Included in total was an audit adjustment of \$2,058,731 for the audit period of 2015 thru 2018

Sales Tax Collections (LOST) 2017 to 2020 by month

The total received in August 2020 was \$5,023,821. Included in total was an audit adjustment of \$2,058,731 for the audit period of 2015 thru 2018



Upcoming Events

- 1st Quarter 2021 results
 - April 27, 2021
- Discussion of Street Light Funding
- 2020 Audit Results
- 2021 Millage Rate Process
- 2022 Budget Process

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Questions / Comments