



Memorandum

TO: Mayor and City Council

FROM: Patrick Goff, City Manager

DATE: August 25, 2017

SUBJECT: Budget Report for the Six Months Ending June 30, 2017

In this document we present the six month budget report based on revenues received and appropriations expended through June 30, 2017. The purpose of this report is to apprise the City's policy makers and Department Directors of the current budgetary status.

General Fund Revenue Analysis of Projected Revenue – Pro-Rated to Historic Average

The City does not receive its revenue evenly throughout the year. In other words, we cannot simply divide total projected revenues for the year by 12 to determine what monthly revenues will be. Each revenue source is unique and is collected by the City on different timeframes. For example, the historic average percentage for sales tax revenues for the first six months of the budget year is 38.8%. This means that, on average, 38.8% of sales tax revenues are received during the first six months of the year and 61.2% are received during the second six months of the year.

As an example from the table on the next page, multiply the historic average percentage for sales tax revenues (38.8%) by the 2017 Projected Revenue (\$19,887,200) which gives you the Pro-Rated Revenues for January to June (\$7,716,234) or what revenues *should* be coming in based on historic averages. Next, compare Pro-Rated Revenues with Actual Revenues for January to June (\$7,561,326) to determine if the revenue source is over or under projections.

In this example, sales tax revenues are \$154,908 under pro-rated revenues or 98% of pro-rated revenues. A pro-rated revenues percentage at or above 100% means the revenues are being collected as projected or are exceeding projections. A pro-rated revenues percentage below 100% means that the revenues being collected are not meeting projections for the first six months of the budget year.

Revenues	2017 Projected Revenue	Pro-Rated Revenues Jan-June	Actual Revenues Jan- June	(Under) Over Pro-Rated Revenues	% Pro-Rated Revenues
Sales Tax	\$19,887,200	\$7,716,234	\$7,561,326	(\$154,908)	98%
Other Taxes	\$3,860,195	\$1,953,259	\$1,662,208	(\$291,051)	85%
Use Taxes	\$3,545,000	\$1,414,455	\$1,767,588	\$353,133	125%
Licenses	\$1,437,960	\$625,513	\$918,206	\$292,693	147%
Intergovernmental	\$1,886,053	\$620,511	\$805,074	\$184,563	130%
Services	\$1,309,585	\$653,483	\$613,902	(\$39,581)	94%
Fines & Forfeitures	\$786,250	\$405,705	\$285,956	(\$119,749)	70%
Other	\$565,155	\$233,974	\$180,629	(\$53,345)	77%
Total	\$33,277,398	\$13,623,133	\$13,794,889	\$171,756	101%

2017 Projected Revenue: projected General Fund revenues for fiscal year 2017.

Pro-Rated Revenues Jan-June: what collected revenues should be for the first six months based on the historic average of revenues collected for the first six months of the year. Historic averages: Sales Tax (38.8%); Other Taxes (50.6%); Use Taxes (39.9%); Licenses (43.5%); Intergovernmental (32.9%); Services (49.9%); Fines & Forfeitures (51.6%); Other (41.4%); Total (40.4%).

Actual Revenues Jan-June: General Fund revenues received through June 30, 2017.

(Under) Over Budget Pro-Rated Revenues: revenues under or over pro-rated revenues.

% Pro-Rated Revenues: 100% indicates revenues are on schedule; < 100% indicates revenues are less than projected; > 100% indicates revenues are greater than projected.

Overall, General Fund revenues are \$171,756 over pro-rated revenues or 101% for the first six months of 2017.

General Fund Expenditure Analysis of 2017 Adjusted Budget – Pro-Rated to Historic Averages

General Fund expenditures can be analyzed in the same way as revenue; however, the lower the pro-rated expenditure percentage the better. Overall, General Fund expenditures are \$2.2 million under pro-rated expenditures or 87% for the first six months of 2017.

- Total General Fund expenditures are at 87% of pro-rated expenditures for several reasons:
 - A mid-year budget freeze in the amount of \$542,503 was implemented to address the closure of the Walmart store
 - Staff salary savings in several departments do to staffing vacancies

Expenditures	2017 Adjusted Budget	Pro-Rated Expenditures Jan-June	Actual Expenditures Jan-June	(Under) Over Pro-Rated Expenditures	% Pro-Rated Expenditures
General Gov't	\$10,790,439	\$6,333,988	\$5,267,205	(\$1,066,783)	83%
Community Dev	\$1,179,726	\$552,112	\$418,147	(\$133,965)	76%
Police	\$10,012,131	\$4,725,726	\$4,734,474	\$8,748	100%
Public Works	\$4,810,136	\$2,323,296	\$1,895,027	(\$428,269)	82%
Parks & Rec	\$4,675,216	\$2,155,275	\$1,603,897	(\$551,378)	74%
Total	\$31,467,648	\$16,090,396	\$13,918,750	(\$2,171,646)	87%

2017 Adjusted Budget: 2017 budget as adopted by City Council with the addition of supplemental budget appropriations through June 30, 2017.

Pro-Rated Expenditures Jan-June: what expenditures should be for the first six months based on the historic average of expenditures for the first six months of the year. Historic Averages: General Gov't (58.7%); Community Dev (46.8%); Police (47.2%); Public Works (48.3%); Parks & Rec (46.1%); Total (49.9%).

Actual Expenditures Jan-June: General Fund expenditures through June 30, 2017.

(Under) Over Budget Pro-Rated Expenditures: expenditures under or over pro-rated expenditures.

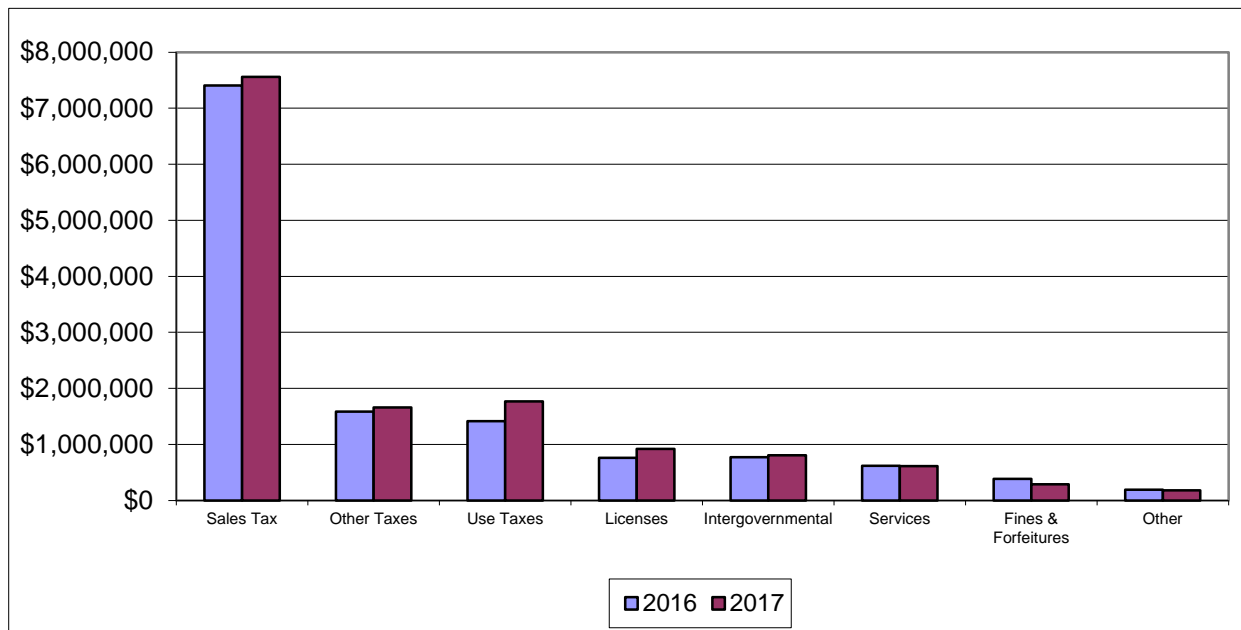
% Pro-Rated Expenditures: 100% indicates expenditures are on schedule; < 100% indicates expenditures are less than projected; > 100% indicates expenditures are greater than projected.

General Gov't: includes Legislative, City Manager's Office/Economic Development, City Attorney, City Clerk's Office, City Treasurer, Central Charges, Municipal Court and Administrative Services.

General Fund Revenue Analysis – 2016 and 2017 Comparison

Total General Fund revenues are up 5.0% (\$657,928) for the first six months of 2017 compared to the same period in 2016.

Revenue	2016 6-Months	2017 6-Months	Percentage Change
Sales Tax	\$7,407,853	\$7,561,323	2.1%
Other Taxes	\$1,583,293	\$1,662,211	5.0%
Use Taxes	\$1,412,941	\$1,767,588	25.1%
Licenses	\$762,467	\$918,206	20.4%
Intergovernmental	\$772,993	\$805,074	4.2%
Services	\$620,575	\$613,902	-1.1%
Fines & Forfeitures	\$386,287	\$285,956	-26.0%
Other	\$190,552	\$180,629	-5.2%
Total	\$13,136,961	\$13,794,889	5.0%



- **Total sales tax revenue** is up compared to the same period last year experiencing a 2.1% increase and is at 98% of pro-rated revenues. Sales tax revenues from marijuana stores totaled about \$256,892.
- **Other tax revenue** is up 5.0% primarily due to increases in property tax, Xcel Energy franchise tax and Lodgers' Tax revenues. Overall, other taxes are tracking lower than expected at 85% of pro-rated revenues
- **Use tax revenue** is up approximately 25% primarily due to increases in building and auto use tax caused by the May 8th hailstorm. Total use tax revenue is at 125% of pro-rated revenues.
- **License revenue** is up 20% primarily due to increases in contractor licenses and building permits caused by the My 8th hailstorm. Total license revenue is at 147% of pro-rated revenues.
- **Intergovernmental revenue** is up approximately 4% primarily due to increases in

County Road and Bridge and Highway Users Tax revenues. Total intergovernmental revenue is at 130% of pro-rated revenues.

- **Service revenue** is slightly down but with no significant changes.
- **Fines & Forfeitures revenue** is down approximately 26% across a majority of municipal court fines but primarily for traffic fines due to an inconsistent availability of staffing for traffic enforcement. Total fines and forfeitures revenue is at 70% of pro-rated revenues.
- **Other revenue** is down 5% primarily due to the timing of when interest was posted to the financials in 2016 compared to 2017.

Supplemental Budget Appropriations

City Council has approved supplemental budget appropriations from General Fund reserves in the amount of approximately \$896,000 for various purposes, through July 31, 2017. Of this amount, about \$290,000 was carried over from encumbrances from the previous year for projects that were not completed in 2016. In addition, the following supplemental budget appropriations were made:

- \$5,000 to accept grant funds for outdoor fitness equipment
- \$50,000 for a contribution to WRBD for the Façade Plus Grant Program
- \$841,000 for on-call building permit inspections, plan review and other support services