



# Memorandum

**TO:** Mayor and City Council

**FROM:** Patrick Goff, City Manager

**DATE:** July 23, 2018 (for August 6, 2018 study session)

**SUBJECT:** Budget Report for the Six Months Ending June 30, 2018

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In this document we present the six month budget report based on revenues received and appropriations expended through June 30, 2018. 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 2018 Projected Revenue (\$19,384,538) which gives you the Pro-Rated Revenues for January to June (\$7,521,201) or what revenues *should* be coming in based on historic averages. Next, compare Pro-Rated Revenues with Actual Revenues for January to June (\$7,418,001) to determine if the revenue source is over or under projections.

In this example, sales tax revenues are \$103,200 under pro-rated revenues or 99% 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.

<b>Revenues</b>	<b>2018 Projected Revenue</b>	<b>Pro-Rated Revenues Jan-June</b>	<b>Actual Revenues Jan- June</b>	<b>(Under) Over Pro-Rated Revenues</b>	<b>% Pro-Rated Revenues</b>
Sales Tax	\$19,384,538	\$7,521,201	\$7,418,001	(\$103,200)	99%
Other Taxes	\$3,906,132	\$1,976,503	\$1,736,938	(\$239,565)	88%
Use Taxes	\$4,014,218	\$1,601,673	\$2,217,036	\$615,363	138%
Licenses	\$1,855,090	\$806,964	\$899,977	\$93,013	112%
Intergovernmental	\$1,786,551	\$587,775	\$803,456	\$215,681	137%
Services	\$1,325,309	\$661,329	\$844,295	\$182,966	128%
Fines & Forfeitures	\$719,400	\$371,210	\$168,306	(\$202,904)	45%
Other	\$1,281,310	\$530,462	\$308,858	(\$221,604)	58%
<b>Total</b>	<b>\$34,272,548</b>	<b>\$14,057,118</b>	<b>\$14,396,867</b>	<b>\$339,749</b>	<b>102%</b>

**2018 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, 2018.

**(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 \$339,749 over pro-rated revenues or 102% for the first six months of 2018.

### **General Fund Expenditure Analysis of 2018 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 \$2.4 million under pro-rated expenditures or 86% for the first six months of 2018.

<b>Expenditures</b>	<b>2018 Adjusted Budget</b>	<b>Pro-Rated Expenditures Jan-June</b>	<b>Actual Expenditures Jan-June</b>	<b>(Under) Over Pro-Rated Expenditures</b>	<b>% Pro-Rated Expenditures</b>
General Gov't	\$12,445,991	\$7,305,797	\$5,490,776	(\$1,815,021)	75%
Community Dev	\$2,049,821	\$959,316	\$864,751	(\$94,565)	90%
Police	\$10,508,106	\$4,959,826	\$5,070,099	\$110,273	102%
Public Works	\$4,900,655	\$2,367,016	\$2,320,931	(\$46,085)	98%
Parks & Rec	\$5,237,481	\$2,414,479	\$1,816,965	(\$597,514)	75%
<b>Total</b>	<b>\$35,142,054</b>	<b>\$18,006,434</b>	<b>\$15,563,522</b>	<b>(\$2,442,912)</b>	<b>86%</b>

**2018 Adjusted Budget:** 2018 budget as adopted by City Council with the addition of supplemental budget appropriations through June 30, 2018.

**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, 2018.

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

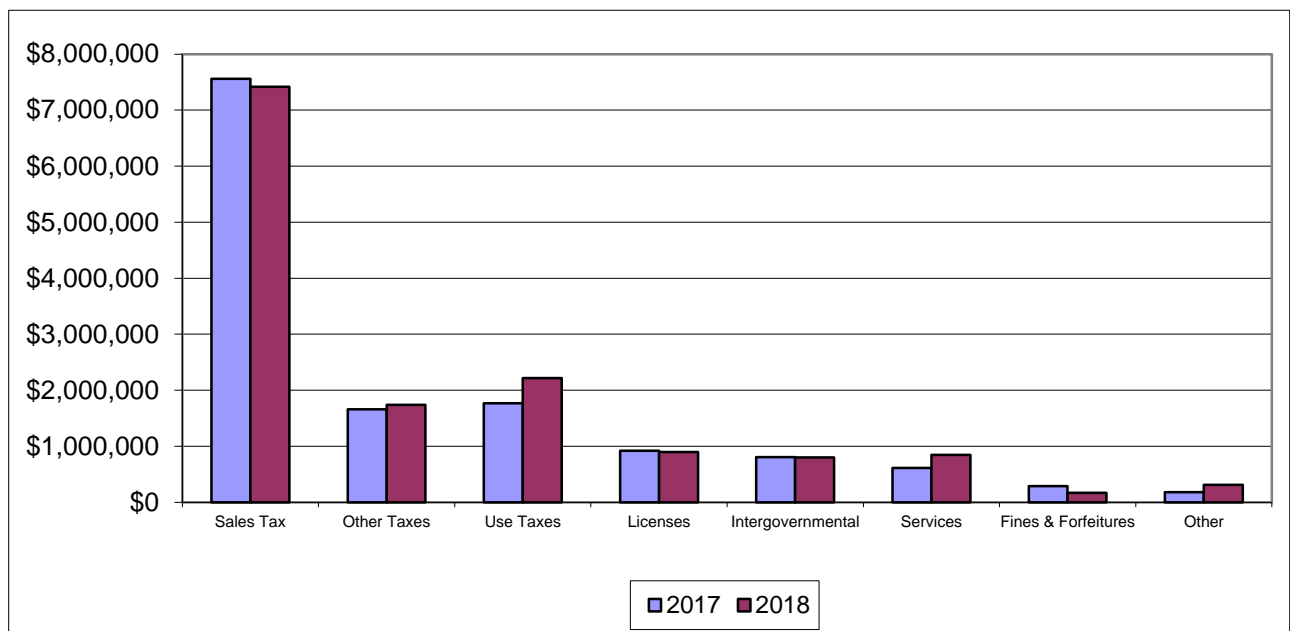
**% Pro-Rated Expenditures:** 100% indicates expenditures are on schedule; < 100% indicates expenditures are less than projected; > 100% indicates expenditures are greater than projected.

**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 – 2017 and 2018 Comparison

Total General Fund revenues are up 4.4% (\$601,981) for the first six months of 2018 compared to the same period in 2017.

<b>Revenue</b>	<b>2017 6-Months</b>	<b>2018 6-Months</b>	<b>Percentage Change</b>
Sales Tax	\$7,561,323	\$7,418,002	-1.9%
Other Taxes	\$1,662,211	\$1,736,938	4.5%
Use Taxes	\$1,767,588	\$2,217,036	25.4%
Licenses	\$918,206	\$899,977	-2.0%
Intergovernmental	\$805,074	\$803,458	-0.2%
Services	\$613,902	\$844,295	37.5%
Fines & Forfeitures	\$285,956	\$168,306	-41.1%
Other	\$180,629	\$308,858	71.0%
<b>Total</b>	<b>\$13,794,889</b>	<b>\$14,396,870</b>	<b>4.4%</b>



- **Total sales tax revenue** is down compared to the same period last year experiencing a 1.9% decrease and is at 99% of pro-rated revenues. Walmart closed on July 7, 2017, which accounts for the decreased revenue in 2018. Factoring out the Walmart closure, sales tax revenue is up 5.8% compared to 2017.
- **Other tax revenue** is up 4.5% primarily due to increases in property tax. Overall, other taxes are tracking lower than expected at 88% of pro-rated revenues primarily due to a decrease in lodgers' tax revenue.
- **Use tax revenue** is up approximately 25% primarily due to increases in general and building use tax from the continued growth in commercial and residential development and redevelopment. Total use tax revenue is at 138% of pro-rated revenues.

- **License revenue** is down 2%. Total license revenue is at 112% of pro-rated revenues.
- **Intergovernmental revenue** is relatively flat. Total intergovernmental revenue is at 137% of pro-rated revenues.
- **Service revenue** is up approximately 37% primarily due to plan review fees. Total service revenue is at 128% of pro-rated revenues.
- **Fines & Forfeitures revenue** is down approximately 41% 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 45% of pro-rated revenues.
- **Other revenue** is up 71% primarily due to interest revenue because of the City Treasurer's prudent investment strategies. Total other revenue is at 58% of pro-rated revenues primarily due to the timing of when insurance proceeds from the 2017 hailstorm will be received.