



Memorandum

TO: Mayor and City Council

FROM: Patrick Goff, City Manager

DATE: September 16, 2016

SUBJECT: Budget Report for the Six Months Ending June 30, 2016

In this document we present the six-month budget report based on revenues received and appropriations expended through June 30, 2016. 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 below, multiply the historic average percentage for sales tax revenues (38.8%) by the 2016 Projected Revenue (\$19,024,000) which gives you the Pro-Rated Revenues for January to June (\$7,381,312) or what revenues *should* be coming in based on historic averages. Next, compare Pro-Rated Revenues with Actual Revenues for January to June (\$7,429,302) to determine if the revenue source is over or under projections.

In this example, sales tax revenues are \$47,990 over pro-rated revenues or 101% 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	2016 Projected Revenue	Pro-Rated Revenues Jan-June	Actual Revenues Jan- June	(Under) Over Pro-Rated Revenues	% Pro-Rated Revenues
Sales Tax	\$19,024,000	\$7,381,312	\$7,429,302	\$47,990	101%
Other Taxes	\$3,421,500	\$1,731,279	\$1,561,846	(\$169,433)	90%
Use Taxes	\$3,500,000	\$1,396,500	\$1,412,941	\$16,441	101%
Licenses	\$1,599,300	\$695,696	\$762,467	\$66,772	110%
Intergovernmental	\$1,970,454	\$648,279	\$772,993	\$124,714	119%
Services	\$1,175,240	\$586,445	\$620,575	\$34,130	106%
Fines & Forfeitures	\$685,750	\$353,847	\$386,287	\$32,440	109%
Other	\$623,000	\$257,922	\$190,552	(\$67,370)	74%
Total	\$31,999,244	\$13,051,280	\$13,136,963	\$85,683	101%

2016 Projected Revenue: projected General Fund revenues for fiscal year 2016.

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, 2016.

(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 \$85,683 over pro-rated revenues or 101% for the first six months of 2016.

General Fund Expenditure Analysis of 2016 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 \$2.3 million under pro-rated expenditures or 86% for the first six months of 2016.

Expenditures	2016 Adjusted Budget	Pro-Rated Expenditures Jan-June	Actual Expenditures Jan-June	(Under) Over Pro-Rated Expenditures	% Pro-Rated Expenditures
General Gov't	\$10,668,162	\$6,262,211	\$5,140,637	(\$1,121,574)	82%
Community Dev	\$1,210,503	\$566,515	\$600,256	\$33,741	106%
Police	\$9,943,533	\$4,693,348	\$4,566,249	(\$127,099)	97%
Public Works	\$4,812,935	\$2,324,648	\$1,945,407	(\$379,241)	84%
Parks & Rec	\$4,750,915	\$2,190,172	\$1,505,794	(\$684,378)	69%
Total	\$31,386,048	\$16,036,893	\$13,758,343	(\$2,278,550)	86%

2016 Adjusted Budget: 2016 budget as adopted by City Council with the addition of supplemental budget appropriations through June 30, 2016.

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, 2016.

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

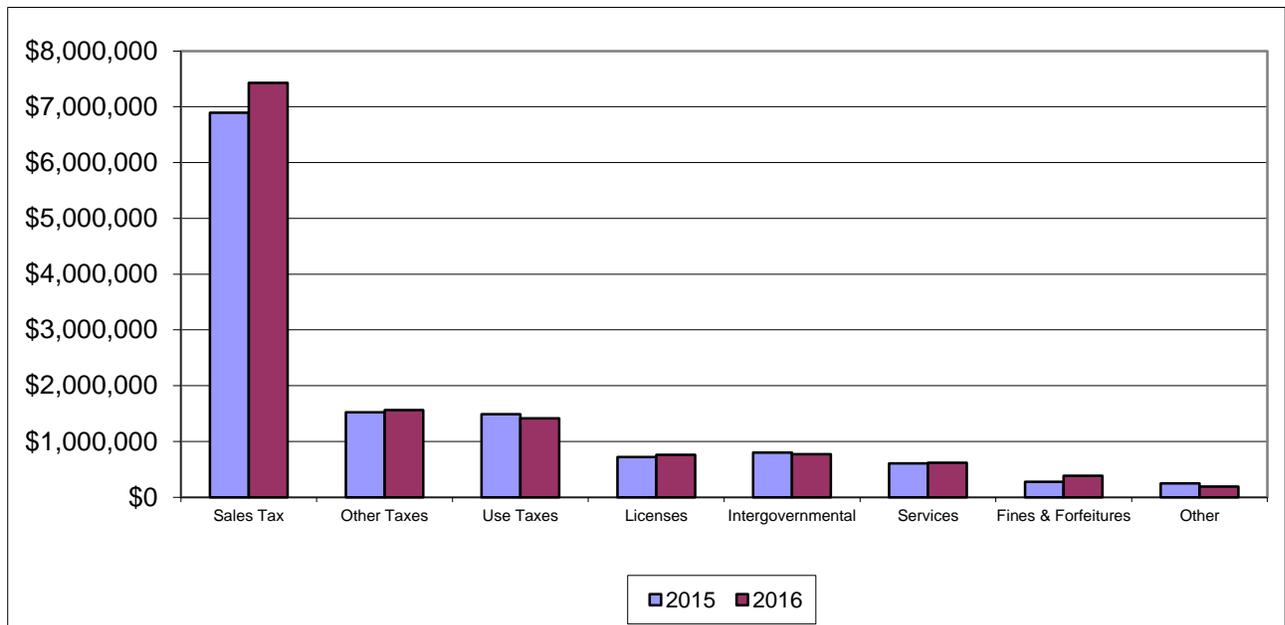
% Pro-Rated Expenditures: 100% indicates expenditures are on schedule; < 100% indicates expenditures are less than projected; > 100% indicates expenditures are greater than projected.

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 – 2015 and 2016 Comparison

Total General Fund revenues (excluding transfers and fund balance) are up 4.6% (\$582,236) for the first six months of 2016 compared to the same period in 2015.

Revenue	2015 6-Months	2016 6-Months	Percentage Change
Sales Tax	\$6,893,777	\$7,429,303	7.8%
Other Taxes	\$1,521,671	\$1,561,846	2.6%
Use Taxes	\$1,486,758	\$1,412,940	-5.0%
Licenses	\$718,234	\$762,466	6.2%
Intergovernmental	\$800,939	\$772,994	-3.5%
Services	\$605,438	\$620,576	2.5%
Fines & Forfeitures	\$277,425	\$386,288	39.2%
Other	\$250,487	\$190,552	-23.9%
Total	\$12,554,729	\$13,136,965	4.6%



- **Total sales tax revenue** is up compared to the same period last year experiencing a 7.8% increase and is at 101% of pro-rated revenues. Sales tax revenues from marijuana stores totaled about \$154,000.
- **Other tax revenue** is up 2.6% primarily due to an increase in property taxes. Overall, other taxes are tracking lower than expected at 90% of pro-rated revenues.
- **Use tax revenue** is down 5% due to a decrease in building use tax. Building use tax is fairly volatile and dependent upon local building activity. Total use tax revenue is tracking as expected at 101% of pro-rated revenues.
- **License revenue** is up 6.2% primarily due to increases in street cut permits, contractor's licenses and business licenses. Total license revenue is at 110% of pro-rated revenues.
- **Intergovernmental revenue** is down 3.5% primarily due to the timing of grant reimbursements. Total intergovernmental revenue is at 119% of pro-rated revenues.

- **Service revenue** is up 2.5% primarily due to an increase in engineering fees, parks and recreation general program revenue, and marijuana operating fees. Marijuana operating fees totaled \$77,573. Total service revenue is at 106% of pro-rated revenues.
- **Fines & Forfeitures revenue** is up approximately 39% across a majority of municipal court fines but primarily for traffic fines due to increased availability of staffing for traffic enforcement. Total fines and forfeitures revenue is at 109% of pro-rated revenues.
- **Other revenue** is down 24% primarily due to a decrease in miscellaneous revenues. Total other revenue is at 74% of pro-rated revenues.

Supplemental Budget Appropriations

City Council has approved supplemental budget appropriations from General Fund reserves in the amount of \$562,187 for various purposes, through July 31, 2016. Of this amount, about \$300,000 was carried over from encumbrances from the previous year for projects that were not completed in 2015. In addition, the following supplemental budget appropriations were made:

- \$75,000 for replacement vehicles
- \$5,000 for a contribution to the Gilmore Scholarship Fund
- \$166,000 for improvements to Tabor Street
- \$19,000 for the acceptance of police department grants

Unrestricted General Fund reserves are at approximately 17% of total expenditures, meeting the minimum required per City Council policy. Reserves are projected to increase to 22.1% by December 31, 2016 based on current year-end revenue and expenditure projections.