

Memorandum

TO: Mayor and City Council

FROM: Patrick Goff, City Manager

DATE: August 17, 2015

SUBJECT: Budget Report for the Six Months Ending June 30, 2015

In this document we present the six month budget report based on revenues received and appropriations expended through June 30, 2015. 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 2015 Projected Revenue (\$17,465,964) which gives you the Pro-Rated Revenues for January to June (\$6,776,794) or what revenues *should* be coming in based on historic averages. Next, compare Pro-Rated Revenues with Actual Revenues for January to June (\$6,904,239) to determine if the revenue source is over or under projections.

In this example, sales tax revenues are \$127,445 over pro-rated revenues or 102% 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	2015 Projected Revenue	Pro-Rated Revenues Jan-June	Actual Revenues Jan- June	(Under) Over Pro-Rated Revenues	% Pro-Rated Revenues
Sales Tax	\$17,465,964	\$6,776,794	\$6,904,239	\$127,445	102%
Other Taxes	\$3,156,500	\$1,597,189	\$1,521,671	(\$75,518)	95%
Use Taxes	\$2,805,000	\$1,119,195	\$1,486,759	\$367,564	133%
Licenses	\$1,361,700	\$592,340	\$718,235	\$125,896	121%
Intergovernmental	\$1,973,082	\$649,144	\$800,938	\$151,794	123%
Services	\$1,071,636	\$534,746	\$605,438	\$70,692	113%
Fines & Forfeitures	\$713,500	\$368,166	\$277,424	(\$90,742)	75%
Other	\$443,000	\$183,402	\$250,487	\$67,085	137%
Total	\$28,990,382	\$11,820,976	\$12,565,191	\$744,215	106%

2015 Projected Revenue: projected General Fund revenues for fiscal year 2015.

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, 2015.

(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 \$744,215 over pro-rated revenues or 106% for the first six months of 2015.

General Fund Expenditure Analysis of 2015 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 \$1.7 million under pro-rated expenditures or 89% for the first six months of 2015.

- General Government expenditures are at 84% of pro-rated expenditures primarily due to the timing of economic development incentive rebates for the Kipling Ridge project and other ESTIP agreements.
- Parks and Recreation expenditures are at 80% of pro-rated expenditures primarily due to a decrease in utility expenses due to the cooler and wetter spring and early summer.

Expenditures	2015 Adjusted Budget	Pro-Rated Expenditures Jan-June	Actual Expenditures Jan-June	(Under) Over Pro-Rated Expenditures	% Pro-Rated Expenditures
General Gov't	\$9,818,427	\$5,763,417	\$4,832,295	(\$931,122)	84%
Community Dev	\$1,255,699	\$587,667	\$491,020	(\$96,647)	84%
Police	\$9,719,296	\$4,587,508	\$4,528,346	(\$59,162)	99%
Public Works	\$4,467,670	\$2,157,885	\$1,947,876	(\$210,009)	90%
Parks & Rec	\$4,451,404	\$2,052,097	\$1,648,811	(\$403,286)	80%
Total	\$29,712,496	\$15,148,573	\$13,448,348	(\$1,700,225)	89%

2015 Adjusted Budget: 2015 budget as adopted by City Council with the addition of supplemental budget appropriations through June 30, 2015.

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, 2015.

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

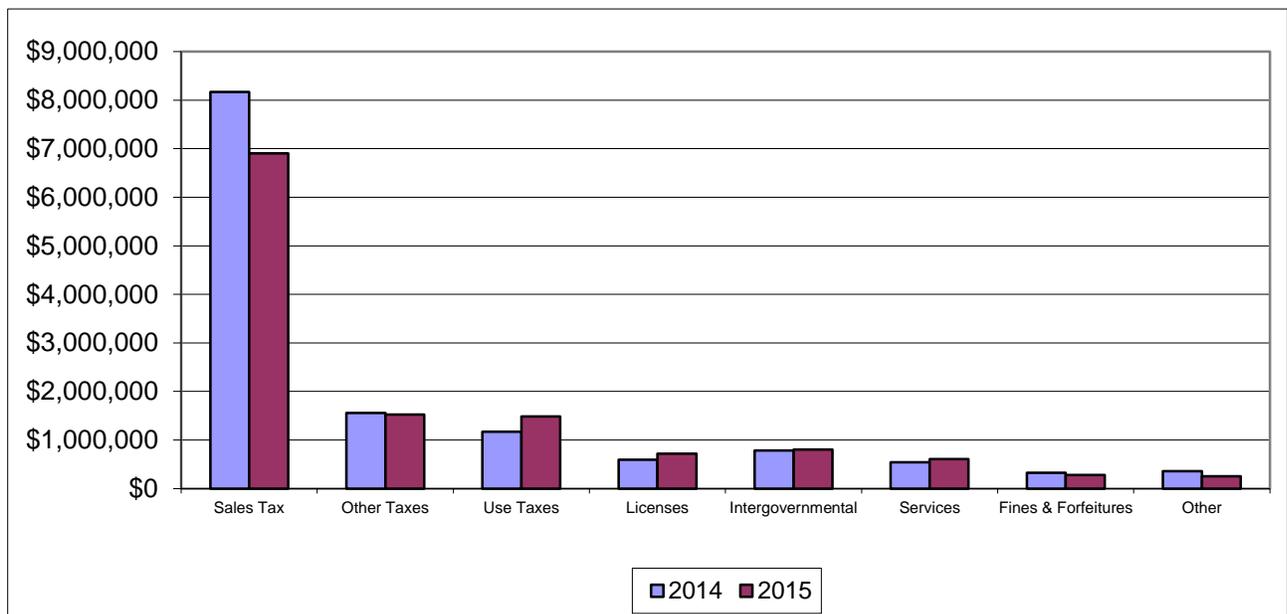
% Pro-Rated Expenditures: 100% indicates expenditures are on schedule; < 100% indicates expenditures are less than projected; > 100% indicates expenditures are greater than projected.

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 – 2014 and 2015 Comparison

Total General Fund revenues (excluding transfers and fund balance) are down 6.9% (\$931,808) for the first six months of 2015 compared to the same period in 2014. However, when you factor out a one-time sales and use tax audit in the amount of \$1.7 million from the 2014 revenues, 2015 revenues are actually up 6.5% (\$768,197) compared to the same period in 2015.

Revenue	2014 6-Months	2015 6-Months	Percentage Change
Sales Tax	\$8,167,688	\$6,904,237	-15.5%
Other Taxes	\$1,559,895	\$1,521,668	-2.5%
Use Taxes	\$1,167,852	\$1,486,759	27.3%
Licenses	\$596,505	\$718,235	20.4%
Intergovernmental	\$782,250	\$800,937	2.4%
Services	\$539,027	\$605,438	12.3%
Fines & Forfeitures	\$324,926	\$277,424	-14.6%
Other	\$358,849	\$250,486	-30.2%
Total	\$13,496,992	\$12,565,184	-6.9%



- **Total sales tax revenue** is down compared to the same period last year experiencing a 15.5% decrease and is at 102% of pro-rated revenues. However, a majority of this decrease is due to a one-time sales and use tax audit that recovered \$1.7 million in unpaid taxes in 2014. When this audit revenue is segregated, sales tax revenues have actually increased 6.7% compared to the same period last year. Sales tax revenues from marijuana stores totaled about \$224,000.
- **Other tax revenue** is down 2.5% primarily due to slight decreases in property tax and Xcel Energy franchise tax revenues. Overall, other taxes are tracking slightly lower than expected at 95% of pro-rated revenues
- **Use tax revenue** is up approximately 27% due to increases in building and auto use tax. Building use tax is fairly volatile and dependent upon local building activity and growth and has experienced a significant increase in 2015 (75%) because of the significant uptick in building activity. Auto use tax has experienced an increase compared to 2014 as Colorado leads the nation in new car sales. Total use tax revenue is at 133% of pro-rated revenues.

- **License revenue** is up 20% primarily due to increases in building permits and street cut permits. Total license revenue is at 121% of pro-rated revenues.
- **Intergovernmental revenue** is up approximately 2% primarily due to the timing of grant reimbursements. Total intergovernmental revenue is at 123% of pro-rated revenues.
- **Service revenue** is up 12% primarily due to an increase in plan review fees and retail; marijuana operating fees. Marijuana operating fees totaled about \$63,000. Total service revenue is at 113% of pro-rated revenues.
- **Fines & Forfeitures revenue** is down approximately 15% 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 75% of pro-rated revenues.
- **Other revenue** is down 30% primarily due to deferred interest that was received in 2014 from the urban renewal authority property loan cash collateral that was released after the City paid down the loan. Total other revenue is at 137% of pro-rated revenues.

Supplemental Budget Appropriations

City Council has approved supplemental budget appropriations from General Fund reserves in the amount of approximately \$1.4 million for various purposes, through July 31, 2015. Of this amount, about \$313,000 was carried over from encumbrances from the previous year for projects that were not completed in 2014. In addition, the following supplemental budget appropriations were made:

- \$34,000 for Channel 8 licensing and software upgrades
- \$62,000 for code enforcement strategies and TLC program
- \$350,000 for drainage improvements to the Arvada Channel
- \$22,500 for the Phase II Senior Resource Center expansion project
- \$40,000 for the replacement of a police patrol vehicle
- \$330,000 to expand the scope of the 2015 street preventative maintenance and bicycle facility improvements
- \$150,000 for the Hillman litigation settlement
- \$100,000 for various ESTIP payments

Due to these supplemental budget appropriations, the General Fund reserves have dropped to 15.1%, below the 17% minimum required per City Council policy. However, if expenditures do not increase beyond budget and revenues continue to increase at the current rate, reserves are estimated to rise back to 17.5% by the end of the year.