



Memorandum

TO: Mayor and City Council

FROM: Patrick Goff, City Manager

DATE: July 18, 2014

SUBJECT: Budget Report for the Six Months Ending June 30, 2014

In this document we present the six month budget report based on revenues received and appropriations expended through June 30, 2014. 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 2014 Projected Revenue (\$16,278,000) which gives you the Pro-Rated Revenues for January to June (\$6,315,864) or what revenues *should* be coming in based on historic averages. Next, compare Pro-Rated Revenues with Actual Revenues for January to June (\$8,067,824) to determine if the revenue source is over or under projections.

In this example, sales tax revenues are \$1,751,960 over pro-rated revenues or 128% 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	2014 Projected Revenue	Pro-Rated Revenues Jan-June	Actual Revenues Jan- June	(Under) Over Pro-Rated Revenues	% Pro-Rated Revenues
Sales Tax	\$16,278,000	\$6,315,864	\$8,067,824	\$1,751,960	128%
Other Taxes	\$3,123,000	\$1,580,238	\$1,664,289	\$84,051	105%
Use Taxes	\$2,657,000	\$1,060,143	\$1,167,852	\$107,709	110%
Licenses	\$1,187,170	\$516,419	\$596,505	\$80,086	116%
Intergovernmental	\$2,125,571	\$699,313	\$782,250	\$82,937	112%
Services	\$1,119,531	\$558,646	\$539,027	(\$19,619)	96%
Fines & Forfeitures	\$793,300	\$409,343	\$324,926	(\$84,417)	79%
Other	\$555,343	\$229,912	\$350,915	\$121,003	153%
Total	\$27,838,915	\$11,369,878	\$13,493,588	\$2,123,710	119%

2014 Projected Revenue: projected General Fund revenues for fiscal year 2014.

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, 2014.

(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 \$2 million over pro-rated revenues or 119% for the first six months of 2014. A majority of this surplus, \$1.7 million, is from a one-time sales and use tax audit of a local business.

General Fund Expenditure Analysis of 2014 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 \$609,543 under pro-rate expenditures or 96% for the first six months of 2014.

- Community Development expenditures are at 66% of pro-rated expenditures primarily due to unspent EPA Brownfields grant funds
- 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	2014 Adjusted Budget	Pro-Rated Expenditures Jan-June	Actual Expenditures Jan-June	(Under) Over Pro-Rated Expenditures	% Pro-Rated Expenditures
General Gov't	\$11,904,519	\$6,987,953	\$7,017,061	\$29,108	100%
Community Dev	\$1,487,648	\$696,219	\$459,453	(\$236,766)	66%
Police	\$9,120,597	\$4,304,922	\$4,304,419	(\$503)	100%
Public Works	\$4,048,900	\$1,955,619	\$1,945,844	(\$9,775)	100%
Parks & Rec	\$4,274,276	\$1,970,441	\$1,578,834	(\$391,607)	80%
Total	\$30,835,940	\$15,915,154	\$15,305,611	(\$609,543)	96%

2014 Adjusted Budget: 2014 budget as adopted by City Council with the addition of supplemental budget appropriations through June 30, 2014.

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, 2014.

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

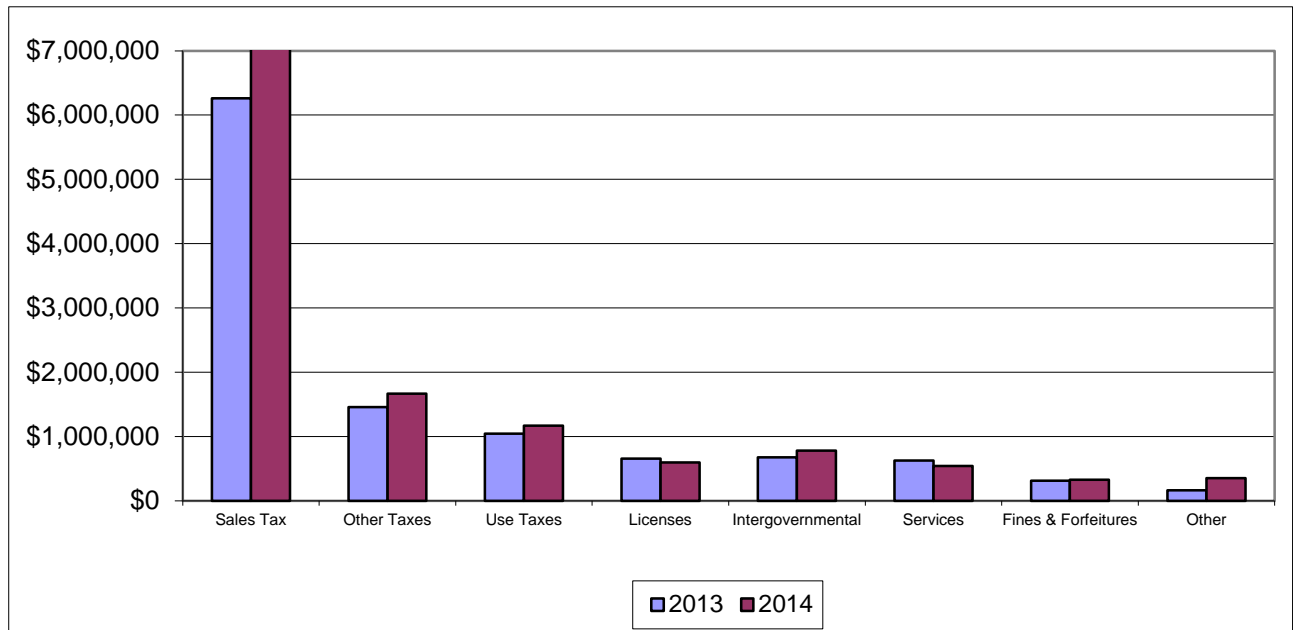
% Pro-Rated Expenditures: 100% indicates expenditures are on schedule; < 100% indicates expenditures are less than projected; > 100% indicates expenditures are greater than projected.

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 – 2013 and 2014 Comparison

Total General Fund revenues (excluding transfers and fund balance) are up 21% (\$2.3 million) for the first six months of 2014 compared to the same period in 2013.

Revenue	2013 6-Months	2014 6-Months	Percentage Change
Sales Tax	\$6,260,142	\$8,067,824	28.9%
Other Taxes	\$1,458,087	\$1,664,289	14.1%
Use Taxes	\$1,044,607	\$1,167,852	11.8%
Licenses	\$655,297	\$596,505	-9.0%
Intergovernmental	\$673,620	\$782,250	16.1%
Services	\$625,756	\$539,027	-13.9%
Fines & Forfeitures	\$314,646	\$324,926	3.3%
Other	\$160,956	\$350,915	118.0%
Total	\$11,193,111	\$13,493,588	20.6%



- **Total sales tax revenue** is up compared to the same period last year experiencing a 29% increase and is at 128% of pro-rated revenues. However, a majority of this increase is due to a sales and use tax audit that recovered \$1.7 million in unpaid taxes. When audit revenue is segregated, sales tax revenues only have increased 1.8% compared to the same period last year.
- **Other tax revenue** is up 14% from a general increase in all categories except admissions amusement tax which is slightly down compared to the same period last year. Overall, other taxes are tracking slightly higher than expected at 105% of pro-rated revenues
- **Use tax revenue** is up approximately 12% due to increases in general and auto use tax. Building use tax is fairly volatile and dependent upon local building activity and growth and has experienced a slight decrease in 2014 because of the significant uptick in building activity in 2013. Auto use tax has experienced an increase compared to 2013 as Colorado leads the nation in new car sales. Total use tax revenue is at 110% of pro-rated revenues.

- **License revenue** is down 9% primarily due to a decrease in building permits. Total license revenue is at 116% of pro-rated revenues.
- **Intergovernmental revenue** is up approximately 16% primarily due to the timing of grant reimbursements from the EPA Brownfields grant and E911. Total intergovernmental revenue is at 112% of pro-rated revenues.
- **Service revenue** is down approximately 14% primarily due to a decrease in zoning applications and plan review fees. Total service revenue is at 96% of pro-rated revenues.
- **Fines & Forfeitures revenue** is up approximately 3% across a majority of municipal court fines but primarily for traffic fines due to a more consistent availability of staffing for traffic enforcement. Total fines and forfeitures revenue is at 79% of pro-rated revenues.
- **Other revenue** is up 118% 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 to a balance that equaled the land value. Total other revenue is at 153% of pro-rated revenues.

Supplemental Budget Appropriations

In the first six months of 2014, City Council has approved supplemental budget appropriations in the amount of approximately \$9.0 million for various purposes. Of this amount, about \$4.5 million was carried over from encumbrances from the previous year for projects that were not completed in 2013 (primarily for Wadsworth PEL, 32nd and Youngfield Widening project, Hopper Hollow Park, and PW/Parks Operations Facility). The additional \$4.5 million was appropriated from General Fund reserves primarily for the 38th and Kipling redevelopment project, paydown of the 44th and Wadsworth property acquisition loan, 32nd and Youngfield Widening project, and 38th Avenue Corridor project.