



**FARMERS
BRANCH**

INFORMATION MEMORANDUM

To: Mayor Bob Phelps
& City Council

Thru: Gary D. Greer
City Manager

From: Charles S. Cox
Managing Director, Finance & Administration

Date: September 16, 2014

Subject: 2013-14 Proposed Year-End Amended Budget

In preparing the 2013-14 Adopted Budget and the 2013-14 Mid-Year Amended Budget, efforts were made to accurately project revenues and expenditures. The budget contains contingency reserves to fund unforeseen situations that require higher than expected spending.

Certain revenue and expenditure projections have changed since adoption of the Mid-Year Amended Budget on April 15, 2014. The 2013-14 Year-End Amended Budget contains adjustments to reflect current estimated revenue and expenditure levels.

A complete Year-End Amended Budget is included in the 2014-15 Proposed Budget (in a column entitled "Year-End Amended Budget 2013-14") also scheduled for adoption tonight. Overall, when compared with the Mid-Year Amended Budget the 2013-14 Year-End Amended Budget includes:

- a net decrease of \$311,600 in General Fund revenues
- a net decrease of \$166,600 in General Fund expenditures
- a net decrease of \$750,000 in Water & Sewer Fund revenues
- a net decrease of \$177,500 in Water & Sewer Fund expenditures
- a net increase of \$138,900 in Internal Service Fund revenues
- a net increase of \$138,900 in Internal Service Fund expenditures
- a net decrease of \$150,000 in Hotel/Motel Fund revenues
- a net increase of \$3,600 in Hotel/Motel Fund expenditures
- a net increase of \$303,000 in Economic Development Fund revenues
- a net decrease of \$99,200 in Economic Development Fund expenditures
- a net decrease of \$61,550 in Special Revenue Fund revenues
- a net increase of \$398,450 in Special Revenue Fund expenditures
- a net increase of \$83,500 in Fixed Asset Fund revenues
- a net increase of \$82,300 in Fixed Asset Fund expenditures

Copies of both the Mid-Year Amended Budget and Proposed Year-End Amended Budget *Combined Summary of Estimated Revenues, Expenditures, and Fund Balances* are presented following the detail of proposed budget changes.

REVENUES

General Fund

Taxes

Property Taxes – Current	Decreased \$150,000 due to an increase in court ordered refunds to property owners' who filed lawsuits to reduce tax valuations.
Sales & Use Taxes	Decreased \$100,000 due to the recent loss of two large taxpayers.
Mixed Beverage	Increased \$20,000 due to higher than expected receipts.
Franchise Fees	Decreased \$115,000 due primarily to lower than planned telephone and electric franchise fees.
Penalties & Interest	Increased \$10,000 due to higher than expected delinquencies.

Licenses & Permits

Building	Decreased \$50,000 due to less than expected permit requests.
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Charges for Services

Zoning	Increased \$5,200 due to higher than anticipated zoning and site plan applications.
Fire Services	This account was added to account for the receipt of fire sprinkler permit fees for the Fire Department totaling \$5,000.
Refuse Services	Increased \$25,000 due to higher than expected landfill use.
Health & Inspection	Increased \$12,000 due to higher than anticipated environmental health and surcharge receipts.
Swimming Pool Fees	Decreased \$10,300 due delays in opening the new aquatics facility.
Senior Center Fees	Decreased \$10,000 due to lower than expected participation.
Parks & Rec Concessions	Increased \$25,000 due to a higher volume of recreation classes offered.

Fines, Forfeits & Assessments

Court	Increased \$3,000 due to slightly higher collections.
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Interest/Rents/Contributions

Rents Increased \$4,000 due to an increase in commercial rentals.

Miscellaneous

Sale of Assets Increased \$4,500 due to the sale of equipment.

Insurance Recovery Increased \$10,000 due greater than expected insurance proceeds.

Net change in General Fund Revenues = (\$311,600)

Water & Sewer Fund

Water/Sewer Sales

Water Sales Decreased \$750,000 due primarily to reduced commercial, residential and City water consumption associated with moderate weather conditions.

Net change in Water & Sewer Fund Revenues = (\$750,000)

Internal Service Fund

Fleet & Facilities Mgmt Increased \$138,900 as a direct result of increased expenditures for facility repairs, staff restructuring and an employee retirement.

Net change in Internal Service Fund Revenues = \$138,900

Hotel/Motel Fund

Taxes Decreased \$150,000 due to lower than expected occupancy rates.

Net change in Hotel/Motel Fund Revenues = (\$150,000)

Economic Development Fund

Transfers Increased \$503,000 to reflect actual property sales from the Dangerous Structures Fund, which provides the eligibility for a transfer.

Sale of Assets Decreased \$200,000 due to the depletion of inventory.

Net change in Economic Development Fund Revenues = \$303,000

Special Revenue Funds

Donations Increased \$5,200 due primarily to additional donations received for Fire, Library and Senior Center.

Youth Scholarship	Decreased \$2,500 due to lower than expected scholarship donations.
Grants	Increased \$2,450 due primarily to receipt of a grant for the partial cost of an extrication tool for the Fire department.
Landfill Closure	Decreased \$80,000 due to lower than expected returns on investments.
Cemetery	Decreased \$3,500 due to lower than expected returns on investments.
Photographic Light System	Increased \$20,000 due to higher than expected red light camera enforcement revenues.
Dangerous Structures	Decreased \$5,000 due to lower than expected interest earnings.
PEG Access Channel	Increased \$1,800 due to higher than expected cable access channel fees.

Net Change in Special Revenue Fund Revenues = (\$61,550)

EXPENDITURES

General Fund

General Government	The <i>Services</i> category increased \$20,000 due to increased planning and training costs.
Legal	The <i>Purchased Professional & Technical Services</i> category decreased \$69,400 due to less than expected lawsuit costs.
Non-Departmental	The <i>Repairs & Maintenance</i> category increased \$37,500 due to increases in facilities maintenance costs. The <i>Services</i> category decreased \$15,000 due primarily to reduced electric costs resulting from energy savings measures undertaken at City Hall. The <i>Other Objects</i> category decreased \$34,500 due primarily to reductions in personnel reserve needs. The <i>Transfers</i> category increased \$240,900 due to the addition of a transfer to CIP for the purchase of land for a new fire station, which has been partially offset by an increase in the transfer from the Water & Sewer Fund to true-up reimbursement costs provided by the General Fund. (An increase in the Water & Sewer Fund transfer has the effect of reducing expenditures in this category.)
General Administration	The <i>Services</i> category decreased \$10,000 due to reduced marketing needs.
Economic Development	The <i>Services</i> category decreased \$10,000 due to reduced advertising needs.

Human Resources	The <i>Supplies</i> category increased \$9,100 due to the costs related to closing out obsolete inventory from the Purchasing division. The <i>Services</i> category increased \$14,000 due to unexpected costs related to police and fire promotional processes.
Information Services	The <i>Personal Services/Benefits</i> category decreased \$17,400 due to a position vacancy.
Municipal Court	The <i>Purchased Professional & Technical Services</i> category decreased \$1,700 due to less than anticipated court costs. The <i>Services</i> category decreased \$800 due to reduced training needs.
Community Services	The <i>Services</i> category decreased \$5,500 due to reduced telephone service costs.
Solid Waste	The <i>Personal Services/Benefits</i> category decreased \$41,900 due to staffing delays. The <i>Purchased Professional & Technical Services</i> category decreased \$157,800 due to the elimination of soil contract work. The <i>Services</i> category decreased \$5,000 due to reduced travel needs related to a landfill lawsuit.
Street Maintenance	The <i>Personal Services/Benefits</i> category decreased \$6,000 due to employee benefit selection changes.
Police Patrol	The <i>Personal Services/Benefits</i> category decreased \$50,000 due to reduced overtime needs. The <i>Repairs & Maintenance</i> category decreased \$200 due to unanticipated office machine repairs.
Police Communications	The <i>Repairs & Maintenance</i> category decreased \$25,000 due to reduced radio maintenance costs. The <i>Services</i> category decreased \$43,000 due to a slight delay in the start-up of consolidated dispatch operations.
Fire Operations	The <i>Personal Services/Benefits</i> category decreased \$31,600 due to reduced overtime needs.
Senior Center	The <i>Services</i> category decreased \$17,600 due to a reduction in event needs.
Library	The <i>Services</i> category increased \$54,300 due to unanticipated repairs in the library restrooms. It was determined that due to the demolition required for repairs, it was in the best interest of the City to remodel the restrooms at the same time.

Net Change in General Fund Expenditures = (\$166,600)

Water & Sewer Fund

Water Operations The *Production & Disposal* category decreased \$177,500 due to a refund from the Trinity River Authority.

Net Change in Water & Sewer Fund Expenditures = (\$177,500)

Internal Service Fund

Facilities Management The *Personal Services & Benefits* category increased \$50,900 due to staff restructuring and an employee retirement. The *Repairs & Maintenance* category increased \$87,000 due to the roof repair and an environmental assessment at the Firehouse Theatre (\$10,000), reupholstering City Council chamber seating (\$15,000), deep cleaning and sealing of locker room floors at the Police department (\$3,000), Library restroom repairs and remodel (\$50,000), and elevator repairs at the Recreation Center (\$9,000).

Fleet Management The *Inventory Usage* category increased \$1,000 due to increased vehicle maintenance costs for the Historical Park. (This cost is charged back to the department.)

Net change in Internal Service Fund Expenditures = \$138,900

Hotel/Motel Fund

Historical Preservation The *Repairs & Maintenance* category increased \$1,000 due to increased vehicle maintenance costs incurred through Fleet Management. The *Services* category increased \$200 due to an increase in liability insurance costs. The *Transfers* category increased \$2,400 due to an increase in costs related to an upgrade of the parks security system.

Net change in Hotel/Motel Fund Expenditures = \$3,600

Economic Development Fund

Inventory Gain/Loss The Inventory Gain/Loss category decreased \$99,200 due to a reduction in inventory of land held for resale.

Net change in Economic Development Fund Expenditures = (\$99,200)

Special Revenue Funds

Police Forfeitures Decreased \$73,000 overall due to lower than planned expenditures.

Grants Increased \$2,450 due to a grant received for the purchase of a vehicle extraction rescue tool that would cover approximately 25% of the cost of the tool. (Grant expenditures are offset by corresponding revenues.)

Building Security	Decreased \$5,000 due to few part-time hours worked.
Photographic Light System	Decreased \$9,000 due to reduced costs for a traffic preemption system, which were partially offset by increased contract costs due to a higher number of red light violations. (The increase in contract costs is offset by increased revenues.)
Dangerous Structures	Increased \$503,000 to reflect actual property sales, which provides the eligibility for a transfer to the Economic Development Fund.
PEG	Decreased \$20,000 due to a reduction in planned purchases for the fiscal year.

Net Change in Special Revenue Fund Revenues = \$398,450

FIXED ASSETS

Revenue adjustments totaling \$83,500 have been made to reflect the closing of a prior year purchase order and an increase in a transfer from the Hotel/Motel Fund related to increased costs for a security upgrade. Planned purchases were reduced by \$76,435 due primarily to the delayed purchase of a network authentication system until 2014-15 and a reduction in software costs. Reserves for future purchases were reduced by \$5,865 to supplement proceeds received from a grant for the purchase of an extrication rescue tool for the Fire department

CAPITAL IMPROVEMENT PROGRAM (CIP)

The Capital Improvement Program budget is revised annually to reflect actual costs of current projects and revised estimates of future revenues and expenditures. The 2014-15 proposed budget, to be adopted later this evening, reflects adjustments for the purchase of land for Fire Station #2 (revenue and expense of \$400,000 in Non-Bond CIP) in 2013-14; moving unspent funds for Service Center Improvements (expense of \$700,000 in Non-Bond Utility CIP) from fiscal year 2013-14 to fiscal year 2014-15; moving radio upgrade project funds (expense of \$823,500 in Radio System Upgrade Fund) from 2013-14 to 2014-15; and moving funds for consolidated dispatch/training facilities (\$300,000 in Consolidated Dispatch Bond Fund) from 2015-16 to 2013-14. [Note: The 2014-15 Proposed Fiscal Year Budget included \$691,000 for consolidated dispatch/training facilities expenditures in 2015-16. These funds have been moved to fiscal years 2013-14 and 2014-15 in the amounts of \$300,000 and \$391,000, respectively.]

**COMBINED SUMMARY OF ESTIMATED REVENUES,
EXPENDITURES AND FUND BALANCES - SELECT FUNDS**

AMENDED BUDGET 2013-14

		GENERAL FUND	FIXED ASSET FUND	WATER & SEWER FUND	HOTEL/ MOTEL FUND
FUND BALANCE 9/30/2013	(1)	\$ 8,942,768	\$ 622,267	\$ 1,096,039	\$ 503,245
2013-14 ESTIMATED REVENUES		\$ 46,618,700	\$ 2,748,500	\$ 16,790,000	\$ 2,583,200
2013-14 ESTIMATED EXPENDITURES		<u>48,018,800</u>	<u>2,982,500</u>	<u>16,793,900</u>	<u>2,657,500</u>
ADDITION TO (USE OF) FUND BALANCE SUB-TOTAL		<u>\$ (1,400,100)</u>	<u>\$ (234,000)</u>	<u>\$ (3,900)</u>	<u>\$ (74,300)</u>
SPECIAL EXPENDITURES					
ASSIGNED FOR FUTURE PURCHASES		<u>\$</u>	<u>\$ (76,055)</u>	<u>\$</u>	<u>\$</u>
ADDITION TO (USE OF) FUND BALANCE		<u>\$ (1,400,100)</u>	<u>\$ (310,055)</u>	<u>\$ (3,900)</u>	<u>\$ (74,300)</u>
ESTIMATED FUND BALANCE 9/30/2014		<u>\$ 7,542,668</u>	<u>\$ 312,212 (2)</u>	<u>\$ 1,092,139</u>	<u>\$ 428,945</u>
TARGET BALANCES	High	\$ 9,219,460 (3)	\$ 300,000	\$ 2,000,000	\$ 300,000
	Low	\$ 6,914,595 (3)			

This chart illustrates a partial listing of select major operating funds of the City. The chart is used to quickly compare revenues, expenditures, and fund balances for the budget year with the prior year. Special expenditures are one-time uses of fund balance, which were approved by the City Council consistent with fund balance target objectives.

(1) Actual per 9/30/13 Comprehensive Annual Financial Report. Fixed Asset Fund Balance has been adjusted for \$55,055 in 2012-13 assigned purchases.

(2) The Estimated Ending Fund Balance 9/30/2014 reflects an adjustment for the assignment of future purchases for the Fire Department totaling \$76,055.

(3) The General Fund target balance has been adjusted for \$1,921,500 of General Fund fixed asset transfers. A General Fund fund balance target is defined as a target range with a low end of 15% and a high end of 20% of the actual GAAP basis expenditures and other financing sources and uses.

**MOST REALISTIC
COMBINED SUMMARY OF ESTIMATED REVENUES,
EXPENDITURES AND FUND BALANCES - SELECT FUNDS**

AMENDED BUDGET 2013-14

		GENERAL FUND	FIXED ASSET FUND	WATER & SEWER FUND	HOTEL/ MOTEL FUND
FUND BALANCE 9/30/2013	(1)	\$ 8,942,768	\$ 622,267	\$ 1,096,039	\$ 503,245
2013-14 ESTIMATED REVENUES		\$ 46,618,700	\$ 2,748,500	\$ 16,790,000	\$ 2,583,200
2013-14 ESTIMATED EXPENDITURES		<u>47,718,800</u>	<u>2,982,500</u>	<u>16,693,900</u>	<u>2,582,500</u>
ADDITION TO (USE OF) FUND BALANCE SUB-TOTAL		<u>\$ (1,100,100)</u>	<u>\$ (234,000)</u>	<u>\$ 96,100</u>	<u>\$ 700</u>
SPECIAL EXPENDITURES					
ASSIGNED FOR FUTURE PURCHASES		<u>\$</u>	<u>\$ (76,055)</u>	<u>\$</u>	<u>\$</u>
ADDITION TO (USE OF) FUND BALANCE		<u>\$ (1,100,100)</u>	<u>\$ (310,055)</u>	<u>\$ 96,100</u>	<u>\$ 700</u>
ESTIMATED FUND BALANCE 9/30/2014		<u>\$ 7,842,668</u>	<u>\$ 312,212</u> (2)	<u>\$ 1,192,139</u>	<u>\$ 503,945</u>
TARGET BALANCES	High	\$ 9,159,460 (3)	\$ 300,000	\$ 2,000,000	\$ 300,000
	Low	\$ 6,869,595 (3)			

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**COMBINED SUMMARY OF ESTIMATED REVENUES,
EXPENDITURES AND FUND BALANCES - SELECT FUNDS**

PROPOSED YEAR-END AMENDED BUDGET 2013-14

		GENERAL FUND	FIXED ASSET FUND	WATER & SEWER FUND	HOTEL/ MOTEL FUND
FUND BALANCE 9/30/2013	(1)	\$ 8,942,763	\$ 567,212	\$ 1,096,039	\$ 503,245
2013-14 ESTIMATED REVENUES		\$ 46,307,100	\$ 2,887,055	\$ 16,040,000	\$ 2,433,200
2013-14 ESTIMATED EXPENDITURES		<u>47,852,200</u>	<u>2,906,065</u>	<u>16,616,400</u>	<u>2,661,100</u>
ADDITION TO (USE OF) FUND BALANCE SUB-TOTAL		<u>\$ (1,545,100)</u>	<u>\$ (19,010)</u>	<u>\$ (576,400)</u>	<u>\$ (227,900)</u>
SPECIAL EXPENDITURES					
ASSIGNED FOR FUTURE PURCHASES		<u>\$</u>	<u>\$ (70,190)</u>	<u>\$</u>	<u>\$</u>
ADDITION TO (USE OF) FUND BALANCE		<u>\$ (1,545,100)</u>	<u>\$ (89,200)</u>	<u>\$ (576,400)</u>	<u>\$ (227,900)</u>
ESTIMATED FUND BALANCE 9/30/2014		<u>\$ 7,397,663</u>	<u>\$ 478,012 (2)</u>	<u>\$ 519,639</u>	<u>\$ 275,345</u>
TARGET BALANCES	High	\$ 9,186,140 (3)	\$ 300,000	\$ 2,000,000	\$ 300,000
	Low	\$ 6,889,605 (3)			

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- (1) Actual per 9/30/13 Comprehensive Annual Financial Report. Fixed Asset Fund Balance has been adjusted for \$55,055 in 2012-13 assigned purchases.
(2) The Estimated Ending Fund Balance 9/30/2014 reflects an adjustment for the assignment of future purchases for the Fire Department totaling \$70,190.
(3) The General Fund target balance has been adjusted for \$1,921,500 of General Fund fixed asset transfers. A General Fund fund balance target is defined as a target range with a low end of 15% and a high end of 20% of the actual GAAP basis expenditures and other financing sources and uses.

MOST REALISTIC
COMBINED SUMMARY OF ESTIMATED REVENUES,
EXPENDITURES AND FUND BALANCES - SELECT FUNDS
PROPOSED YEAR-END AMENDED BUDGET 2013-14

		GENERAL FUND	FIXED ASSET FUND	WATER & SEWER FUND	HOTEL/ MOTEL FUND
FUND BALANCE 9/30/2013	(1)	\$ 8,942,763	\$ 567,212	\$ 1,096,039	\$ 503,245
2013-14 ESTIMATED REVENUES		\$ 46,307,100	\$ 2,887,055	\$ 16,040,000	\$ 2,433,200
2013-14 ESTIMATED EXPENDITURES		<u>47,552,200</u>	<u>2,906,065</u>	<u>16,566,400</u>	<u>2,641,100</u>
ADDITION TO (USE OF) FUND BALANCE SUB-TOTAL		<u>\$ (1,245,100)</u>	<u>\$ (19,010)</u>	<u>\$ (526,400)</u>	<u>\$ (207,900)</u>
SPECIAL EXPENDITURES					
ASSIGNED FOR FUTURE PURCHASES		\$	\$ (70,190)	\$	\$
ADDITION TO (USE OF) FUND BALANCE		<u>\$ (1,245,100)</u>	<u>\$ (89,200)</u>	<u>\$ (526,400)</u>	<u>\$ (207,900)</u>
ESTIMATED FUND BALANCE 9/30/2014		<u>\$ 7,697,663</u>	<u>\$ 478,012</u> (2)	<u>\$ 569,639</u>	<u>\$ 295,345</u>
TARGET BALANCES	High	\$ 9,126,140 (3)	\$ 300,000	\$ 2,000,000	\$ 300,000
	Low	\$ 6,844,605 (3)			

This chart illustrates a partial listing of select major operating funds of the City. The chart is used to quickly compare revenues, expenditures, and fund balances for the budget year with the prior year. Special expenditures are one-time uses of fund balance, which were approved by the City Council consistent with fund balance target objectives.

- (1) Actual per 9/30/13 Comprehensive Annual Financial Report. Fixed Asset Fund Balance has been adjusted for \$55,055 in 2012-13 assigned purchases.
(2) The Estimated Ending Fund Balance 9/30/2014 reflects an adjustment for the assignment of future purchases for the Fire Department totaling \$70,190.
(3) The General Fund target balance has been adjusted for \$1,921,500 of General Fund fixed asset transfers. A General Fund fund balance target is defined as a target range with a low end of 15% and a high end of 20% of the actual GAAP basis expenditures and other financing sources and uses.