



**FARMERS
BRANCH**

INFORMATION MEMORANDUM

To: Mayor Bob Phelps
& City Council

Thru: Charles S. Cox
City Manager

From: Sherrelle Evans-Jones, Director of Finance
Mayve Strong, Controller [Interim Director of Finance thru 9/5/16]

Date: September 20, 2016

Subject: 2015-16 Proposed Year-End Amended Budget

In preparing the 2015-16 Adopted Budget and the 2015-16 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 in April 2016. The 2015-16 Year-End Amended Budget contains adjustments to reflect current estimated revenue and expenditure levels.

A complete Year-End Amended Budget is included in the 2016-17 Proposed Budget (in a column entitled "Year-End Amended Budget 2015-16") also scheduled for adoption tonight. Overall, when compared with the Mid-Year Amended Budget the 2015-16 Year-End Amended Budget includes:

- a net decrease of \$1,596,900 in General Fund revenues
- a net decrease of \$1,722,600 in General Fund expenditures
- a net increase of \$195,000 in Water & Sewer Fund revenues
- a net increase of \$349,300 in Water & Sewer Fund expenditures
- a net decrease of \$251,600 in Internal Service Funds revenues
- a net decrease of \$251,600 in Internal Service Funds expenditures
- a net increase of \$110,800 in Health Care Fund expenditures
- a net increase of \$128,000 in Hotel/Motel Fund revenues
- a net decrease of \$55,000 in Hotel/Motel Fund expenditures
- a net increase of \$232,900 in Economic Development Fund revenues
- a net increase of \$152,000 in Economic Development Fund expenditures
- a net decrease of \$608,500 in Special Revenue Fund revenues
- a net increase of \$52,550 in Special Revenue Fund expenditures
- a net increase of \$685,315 in Debt Service Fund revenues (self-supporting)
- a net decrease of \$95,000 in Fixed Asset Fund transfers
- a net decrease of \$330,000 in Fixed Asset Fund planned purchases

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

The following information reflects revenue class variations that exceed \$20,000 between the Proposed Year-End Budget and the Amended Budget.

General Fund

Taxes

Property Taxes	Decreased \$525,000 due to an increase in court ordered refunds to property owners' who filed lawsuits to reduce tax valuations and lower than anticipated payments to date.
Sales & Use Taxes	Decreased \$570,000 due to lower than expected sales tax receipts.
Franchise Fees	Decreased \$315,000 due to lower than expected gas (-\$140,000), telephone (-\$90,000) and electricity (-\$150,000) franchise receipts, which were offset by higher than expected cable (+\$65,000) franchise receipts.

Licenses & Permits

Building	Decreased \$48,800 due primarily to decreased building activity.
HVAC	Increased \$26,000 due to an increase in HVAC permits issued.

Charges for Services

Police Services	Increased \$41,100 due to higher than expected false alarm permit fees and false alarm calls.
Refuse Services	Increased \$203,800 due to higher than expected landfill volumes.
Aquatic Center Fees	Decreased \$96,000 due to higher than anticipated bad weather days.
Parks & Rec Concessions	Increased \$28,000 due to higher than expected participation in recreation classes offered by the City.
Events	Increased \$21,300 due to higher than expected receipts during City events and the addition of receipts related to the new Farmers Market.

Fines, Forfeits & Assessments

Court Decreased \$435,500 due to lower than expected court receipts.

Interest/Rents/Contributions

Interest Increased \$45,000 due to higher than planned interest earnings in the General Fund.

Net change in General Fund Revenues = (\$1,596,900)

Water & Sewer Fund

Charges for Services

Water Service Increased \$140,000 due primarily to increased City water usage in City parks and athletic fields.

Sewer Service Increased \$55,000 due to an increase in sewer service for apartments.

Net change in Water & Sewer Fund Revenues = \$195,000

Internal Service - Fleet & Facilities Management Fund

Charges for Services

Fleet Services Decreased \$46,300 due primarily to stable fuel costs.

Facilities Services Decreased \$205,300 due primarily to deferred facility projects.

Net change in Internal Service Funds Revenues = (\$251,600)

Hotel/Motel Fund

Taxes Increased \$120,000 due to higher than expected hotel occupancy levels.

Net change in Hotel/Motel Fund Revenues = \$128,000

Debt Service Fund

Self-Supporting Debt Increased \$685,315 due to closing out the Stars Center Special Revenue Fund to the Debt Service Fund as recommended by the City's auditor.

Net change in Self-Supporting Debt Revenues = \$685,315

Economic Development Fund

Transfers	Increased \$232,900 to reflect actual property sales from the Dangerous Structures Fund.
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Net change in Economic Development Fund Revenues = \$232,900

Special Revenue Funds

Police Forfeitures	Decreased \$25,600 due to lower than expected court ordered forfeitures.
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Donations	Decreased \$26,870 due to an overall decline in donations.
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Grants	Decreased \$37,480 due primarily to the loss of the Police STEP grant.
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Landfill Closure	Decreased \$58,000 due primarily to lower interest earnings in light of increased expenses.
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Stars Center	Decreased \$663,000 due to closing out the Stars Center Special Revenue Fund to the Debt Service Fund as recommended by the City's auditor.
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Photographic Light Sys	Increased \$204,750 due to higher than expected red light violations.
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Net Change in Special Revenue Fund Revenues = (\$608,500)

EXPENDITURES

The following information reflects expenditure category variations that exceed \$20,000 between the Proposed Year-End Budget and the Amended Budget.

General Fund

General Government	The <i>Services</i> category decreased \$20,000 as run-off election funds were not needed.
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Non-Departmental	The <i>Repairs & Maintenance</i> category decreased \$95,000 due to deferred facility maintenance projects. The <i>Other Objects</i> category decreased \$224,000 due to the distribution of wellness benefits to department life & health accounts and the return of contingency account reserves remaining after implementation of police and fire comp study recommendations, which resulted in bringing positions to a median pay schedule. The <i>Transfers</i> category increased \$410,800 as a result of returning reserves for a city health clinic to the General Fund.
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General Administration	The <i>Personal Services/Benefits</i> category increased \$91,700 due to filling the vacant City Manager position sooner than anticipated.
Human Resources	The <i>Personal Services/Benefits</i> category decreased \$28,800 due primarily to position vacancies. The <i>Services</i> category decreased \$42,000 due to a reduction in consulting services and interdepartmental training costs.
Finance Administration	The <i>Personal Services/Benefits</i> category decreased \$99,600 due to a position vacancy and subsequent downgrade.
Public Works Admin	The <i>Supplies</i> category decreased \$27,100 as procurements cost less than anticipated.
Solid Waste Collection	The <i>Services</i> decreased \$41,500 due to reduced travel and rental equipment needs.
Street Maintenance	The <i>Personal Services/Benefits</i> category decreased \$45,300 due primarily to position vacancies. The <i>Services</i> category decreased \$39,200 due to reduced electricity needs. The <i>Transfers</i> category decreased \$80,000 due to the deferral of a street paver to the 2016-17 fiscal year.
Environmental Services	The <i>Services</i> category decreased \$84,400 due primarily to reduced special services costs.
Police Administration	The <i>Repairs & Maintenance</i> category decreased \$96,000 due primarily to the reclassification of justice center repairs to the CIP fund. The <i>Services</i> category decreased \$49,000 due to reduced special services and training related costs.
Police Patrol	The <i>Personal Services/Benefits</i> category decreased \$39,700 due primarily to position vacancies. The <i>Supplies</i> category decreased \$22,500 due to reduced fuel costs.
Police Communications	The <i>Services</i> category decreased \$22,500 due to reduced telephone and equipment related costs.
Aquatics	The <i>Personal Services/Benefits</i> category decreased \$81,700 due to position vacancies.

Net Change in General Fund Expenditures = (\$1,722,600)

Water & Sewer Fund

Water Operations The *Production & Disposal* category increased \$349,300 due to an increase in sewer treatment costs from the Trinity River Authority.

Net Change in Water & Sewer Fund Expenditures = \$349,300

Internal Service - Fleet & Facilities Management Fund

Facilities Management The *Repairs & Maintenance* category decreased \$191,000 due to the deferral of facility related projects.

Fleet Management The *Inventory Usage* category decreased \$60,600 due to stable fuel costs.

Internal Services - Health Claims Fund

Health Claims The *Other Objects* category decreased \$300,000 due to the elimination of expenses for a City clinic. The *Transfers* category increased \$410,800 due to an increase in reimbursement to the General Fund Health for retiree health related costs and the return of funds originally advanced for opening a City clinic.

Net change in Internal Service Funds Expenditures = (\$140,800)

Hotel/Motel Fund

Promotion of Tourism The Marketing category decreased \$46,000 due to a reduction in transportation incentives granted.

Net change in Hotel/Motel Fund Expenditures = (\$55,000)

Economic Development Fund

Inventory Gain/Loss The *Inventory Gain/Loss* category increased \$152,000 due to a gain in inventory held for resale.

Net change in Economic Development Fund Expenditures = \$152,000

Special Revenue Funds

Police Forfeitures Decreased \$20,000 overall due to lower than planned expenditures.

Donations Decreased \$14,134 due to an overall decline in expenditures as a result of declining donation revenues.

Grants Decreased \$37,480 due primarily to the loss of the Police STEP grant.

Landfill Closure Increased \$55,000 due to expenses related to financial assurance.

Stars Center	Increased \$25,314 due to closing out the Stars Center Special Revenue Fund to the Debt Service Fund as recommended by the City's auditor.
Photographic Light Sys	Decreased \$139,200 due to reduced equipment needs that can be funded through the program.
Dangerous Structures	Increased \$92,900 due primarily to reduced expenditures and an increase in transfers to the Economic Development Fund.

Net Change in Special Revenue Fund Revenues = \$52,550

FIXED ASSETS

Revenue (transfers) reductions totaling (\$95,000) have been made to reflect the reduced need for brush/bulky item containers (-\$15,000) and the deferred purchase of a paver (-\$80,000) for the Street Maintenance Division until 2016-17.

Planned purchases decreased \$330,000 due to the deferred purchase of signage (-\$235,000) and a street paver (-\$80,000) to the 2016-17 fiscal year and the elimination of brush/bulky item container purchases (-\$15,000).

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 2016-17 proposed budget, to be adopted later this evening, included the following 2015-16 adjustments when originally presented. No additional changes have been made to the 2015-16 CIP budget.

Revenues	Non-Bond Utility Fund	\$ 415,864
	Justice Center Security Upgrades	\$2,694,983
Expenditures	Non-Bond CIP	(\$238,166)
	Non-Bond Utility Fund	\$154,849
	Justice Center Security Upgrades	\$ 94,083

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

AMENDED BUDGET 2014-15

		GENERAL FUND	FIXED ASSET FUND	ENTERPRISE FUNDS	HOTEL/ MOTEL FUND
FUND BALANCE 9/30/2014	(1)	\$ 7,538,450	\$ 527,786	\$ 884,907	\$ 523,043
2014-15 ESTIMATED REVENUES		\$ 49,771,400	\$ 3,273,990	\$ 18,713,300	\$ 2,592,000
2014-15 ESTIMATED EXPENDITURES		<u>49,574,400</u>	<u>3,429,000</u>	<u>18,677,500</u>	<u>2,745,200</u>
ADDITION TO (USE OF) FUND BALANCE SUB-TOTAL		<u>\$ 197,000</u>	<u>\$ (155,010)</u>	<u>\$ 35,800</u>	<u>\$ (153,200)</u>
SPECIAL EXPENDITURES					
ASSIGNED FOR FUTURE PURCHASES		<u>\$</u>	<u>\$ (70,192)</u>	<u>\$</u>	<u>\$</u>
ADDITION TO (USE OF) FUND BALANCE		<u>\$ 197,000</u>	<u>\$ (225,202)</u>	<u>\$ 35,800</u>	<u>\$ (153,200)</u>
ESTIMATED FUND BALANCE 9/30/2015		<u>\$ 7,735,450</u>	<u>\$ 302,584</u>	<u>\$ 920,707</u>	<u>\$ 369,843</u>
TARGET BALANCES	High	\$ 9,508,700 (2)	\$ 300,000	\$ 2,000,000	\$ 300,000
	Low	\$ 7,131,525 (2)			

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 9/30/14 Comprehensive Annual Financial Report. Fixed Asset Fund Balance has been adjusted for \$70,190 in 2013-14 assigned purchases.
- (2) The General Fund target balance has been adjusted for \$2,030,900 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 2014-15

		GENERAL FUND	FIXED ASSET FUND	ENTERPRISE FUNDS	HOTEL/ MOTEL FUND
FUND BALANCE 9/30/2014	(1)	\$ 7,538,450	\$ 527,786	\$ 884,907	\$ 523,043
2014-15 ESTIMATED REVENUES		\$ 49,771,400	\$ 3,273,990	\$ 18,713,300	\$ 2,592,000
2014-15 ESTIMATED EXPENDITURES		<u>49,274,400</u>	<u>3,429,000</u>	<u>18,577,500</u>	<u>2,670,200</u>
ADDITION TO (USE OF) FUND BALANCE SUB-TOTAL		<u>\$ 497,000</u>	<u>\$ (155,010)</u>	<u>\$ 135,800</u>	<u>\$ (78,200)</u>
SPECIAL EXPENDITURES					
ASSIGNED FOR FUTURE PURCHASES		<u>\$</u>	<u>\$ (70,192)</u>	<u>\$</u>	<u>\$</u>
ADDITION TO (USE OF) FUND BALANCE		<u>\$ 497,000</u>	<u>\$ (225,202)</u>	<u>\$ 135,800</u>	<u>\$ (78,200)</u>
ESTIMATED FUND BALANCE 9/30/2015		<u>\$ 8,035,450</u>	<u>\$ 302,584</u> (2)	<u>\$ 1,020,707</u>	<u>\$ 444,843</u>
TARGET BALANCES	High	\$ 9,448,700 (2)	\$ 300,000	\$ 2,000,000	\$ 300,000
	Low	\$ 7,086,525 (2)			

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

PROPOSED YEAR-END AMENDED BUDGET 2014-15

		GENERAL FUND	FIXED ASSET FUND	WATER & SEWER FUND	HOTEL/ MOTEL FUND
FUND BALANCE 9/30/2014	[1]	<u>\$ 7,538,450</u>	<u>\$ 527,786</u>	<u>\$ (719,466)</u>	<u>\$ 523,043</u>
2014-15 ESTIMATED REVENUES		49,910,900	3,459,890	16,383,700	2,746,800
2014-15 ESTIMATED EXPENDITURES		<u>49,886,200</u>	<u>3,526,814</u>	<u>16,004,200</u>	<u>2,746,800</u>
ADDITION TO (USE OF) FUND BALANCE SUB-TOTAL		<u>24,700</u>	<u>(66,924)</u>	<u>379,500</u>	
SPECIAL EXPENDITURES					
ASSIGNED FOR FUTURE PURCHASES			<u>(45,578)</u>		
ADDITION TO (USE OF) FUND BALANCE		<u>24,700</u>	<u>(112,502)</u>	<u>379,500</u>	<u>0</u>
ESTIMATED FUND BALANCE 9/30/2015		<u>\$ 7,563,150</u>	<u>\$ 415,284</u> [2]	<u>\$ (339,966)</u>	<u>\$ 523,043</u>
TARGET BALANCES	High	\$ 9,570,940 (2)	\$ 300,000	\$ 2,000,000	\$ 300,000
	Low	\$ 7,178,205 (2)			

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(1) Actual per 9/30/14 Comprehensive Annual Financial Report. Fixed Asset Fund Balance has been adjusted for \$70,190 in 2013-14 assigned purchases.

(2) The General Fund target balance has been adjusted for \$2,031,500 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 2014-15

		GENERAL FUND	FIXED ASSET FUND	WATER & SEWER FUND	HOTEL/ MOTEL FUND
FUND BALANCE 9/30/2014	[1]	<u>\$ 7,538,450</u>	<u>\$ 527,786</u>	<u>\$ (719,466)</u>	<u>\$ 523,043</u>
2014-15 ESTIMATED REVENUES		49,910,900	3,459,890	16,383,700	2,746,800
2014-15 ESTIMATED EXPENDITURES		<u>49,886,200</u>	<u>3,526,814</u>	<u>15,904,200</u>	<u>2,671,800</u>
ADDITION TO (USE OF) FUND BALANCE SUB-TOTAL		<u>24,700</u>	<u>(66,924)</u>	<u>479,500</u>	<u>75,000</u>
SPECIAL EXPENDITURES					
ASSIGNED FOR FUTURE PURCHASES			<u>(45,578)</u>		
ADDITION TO (USE OF) FUND BALANCE		<u>24,700</u>	<u>(112,502)</u>	<u>479,500</u>	<u>75,000</u>
ESTIMATED FUND BALANCE 9/30/2015		<u>\$ 7,563,150</u>	<u>\$ 415,284</u> [2]	<u>\$ (239,966)</u>	<u>\$ 598,043</u>
TARGET BALANCES					
	High	\$ 9,570,940 (2)	\$ 300,000	\$ 2,000,000	\$ 300,000
	Low	\$ 7,178,205 (2)			

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.

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- (2) The General Fund target balance has been adjusted for \$2,031,500 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.