



**FARMERS  
BRANCH**

## **INFORMATION MEMORANDUM**

To: Mayor Robert C. Dye  
& City Council

Thru: Charles S. Cox  
City Manager

From: Sherrelle Evans-Jones, Director of Finance

Date: September 12, 2017

Subject: 2016-17 Proposed Year-End Amended Budget

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In preparing the 2016-17 Adopted Budget and the 2016-17 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 2017. The 2016-17 Year-End Amended Budget contains adjustments to reflect current estimated revenue and expenditure levels.

A complete Year-End Amended Budget is included in the 2017-18 Proposed Budget (in a column entitled "Year-End Amended Budget 2016-17") also scheduled for adoption tonight. Overall, when compared with the Mid-Year Amended Budget the 2016-17 Year-End Amended Budget includes:

- a net decrease of \$1,661,800 in General Fund revenues
- a net decrease of \$1,829,600 in General Fund expenditures
- a net decrease of \$255,500 in Water & Sewer Fund revenues
- a net decrease of \$514,200 in Water & Sewer Fund expenditures
- a net decrease of \$105,700 in Hotel/Motel Fund revenues
- a net increase of \$82,200 in Hotel/Motel Fund expenditures
- a net increase of \$800,000 in Economic Development Fund expenditures
- a net decrease of \$49,488 in Special Revenue Fund revenues
- a net increase of \$1,198,712 in Special Revenue Fund expenditures
- a net decrease of \$55,000 in Debt Service Fund revenues (self-supporting)
- a net decrease of \$9,500 in Fixed Asset Fund transfers
- a net decrease of \$245,716 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 \$25,000 between the Proposed Year-End Budget and the Amended Budget.**

### **General Fund**

#### **Taxes**

Property Taxes	Decreased \$475,600 due to larger than anticipated property value reductions resulting from lawsuit settlements with DCAD.
Sales & Use Taxes	Increased \$158,100 due to better than expected sales tax receipts.
Franchise Fees	Decreased \$199,300 due to lower than expected gas (-\$17,500), telephone (-\$111,000), electricity (-\$48,600), and cable (-\$22,200) franchise receipts.

#### **Charges for Services**

Emergency Services	Decreased \$201,600 due to lower than expected ambulance receipts (-\$157,600) and 911 revenue (-\$44,000).
Refuse Services	Decreased \$470,000 due to delays related to obtaining a landfill expansion permit.
Aquatic Center Fees	Decreased \$91,800 due to lower than receipts.

#### **Fines, Forfeits & Assessments**

Court	Decreased \$415,500 due to lower than expected court receipts.
Library Fines	Decreased \$50,000 due to a change in library materials distribution.

#### **Interest/Rents/Contributions**

Interest	Increased \$40,000 due to higher than planned interest earnings in the General Fund.
Miscellaneous	
Insurance Recovery	Increased \$30,500 due to reimbursements received for insurance claims.
Developer Advance	Increased \$50,000 contribution to offset Mercer Crossing TIRZ expenses.

**Net change in General Fund Revenues = (\$1,661,800)**

### Water & Sewer Fund

#### **Charges for Services**

Water Service	Decreased \$185,900 due primarily to decreased residential water usage (-\$225,000), which is partially offset by an increase in City water usage (+\$38,600) for City parks and athletic fields and customer deposits (+\$500).
Sewer Service	Increased \$55,000 due to an increase in sewer service for apartments.

**Net change in Water & Sewer Fund Revenues = (\$255,500)**

### Hotel/Motel Fund

<b>Taxes</b>	Decreased \$100,000 due to lower than expected hotel occupancy levels.
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**Net change in Hotel/Motel Fund Revenues = (\$105,700)**

### Debt Service Fund

<b>Self-Supporting Debt</b>	Decreased \$55,000 due to a reduction in rent from the DrPepper StarCenter per a revised contract incentive.
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**Net change in Self-Supporting Debt Revenues = (\$55,000)**

### Special Revenue Funds

Grants	Decreased \$93,088 due primarily to the loss of the Police STEP grant, body camera grant and police uniforms grant.
Joint Fire Training Facility	Increased \$26,000 due to moving anticipated Joint Fire Training Facility operating revenue from the General Fund to a Special Revenue Fund.

**Net Change in Special Revenue Fund Revenues = (\$49,488)**

## **EXPENDITURES**

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

### General Fund

Non-Departmental	The <i>Other Objects</i> category decreased \$154,500 due primarily to the distribution of wellness benefits to department life & health accounts and the return of contingency and insurance account reserves. The <i>Transfers</i> category (negative expense) increased \$1,000,000 as a result of employee clinic sales proceeds.
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Information Services	The <i>Personal Services/Benefits</i> category decreased \$28,700 due to position vacancies.
Solid Waste Collection	The <i>Personal Services/Benefits</i> category decreased \$52,600 due to moving a portion of salary and benefits to the Landfill Closure/Post-Closure Fund as a result of the extensive time spent on the proposed landfill expansion permit. The <i>Services</i> category decreased \$125,000 due primarily to a reduction in anticipated costs related to the City of Lewisville host fee.
Police Communications	The <i>Repairs &amp; Maintenance</i> category decreased \$53,600 due to reduced costs related to radio repairs and annual maintenance costs.
Park Maintenance	The <i>Repairs &amp; Maintenance</i> category decreased \$50,000 as a results of savings related to grounds maintenance activities.

**Net Change in General Fund Expenditures = (\$1,829,600)**

*Water & Sewer Fund*

Water Operations	The <i>Production &amp; Disposal</i> category decreased \$440,200 due primarily to the delayed implementation in anticipated increased pass-thru costs from the Trinity River Authority.
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**Net Change in Water & Sewer Fund Expenditures = (\$514,200)**

*Hotel/Motel Fund*

Historical Preservation/ Special Events	The <i>Personal Services &amp; Benefits</i> category increased \$61,800 due primarily to employee staffing changes and resignations. The <i>Repairs &amp; Maintenance</i> category increased \$25,900 due to costs related to the Gilbert House foundation study.
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**Net change in Hotel/Motel Fund Expenditures = \$82,200**

*Economic Development Fund*

Inventory Gain/Loss	The <i>Inventory Gain/Loss</i> category increased \$100,000 due to a gain in inventory held for resale. The <i>Other Objects</i> category increased \$800,000 resulting from increased activity related to economic development incentives and the demo/rebuild program.
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**Net change in Economic Development Fund Expenditures = \$800,000**

### Special Revenue Funds

Police Forfeitures	Decreased \$102,500 due to lower than planned expenditures qualifying to be spent from seized funds.
Grants	Decreased \$93,088 due primarily to the loss of the Police STEP grant, body camera grant, and police uniforms grants.
Landfill Closure	Increased \$636,600 due to expenses related to landfill expansion permit approval.
Photographic Light System	Decreased \$244,900 due to reduced equipment needs that can be funded through the program.
Dangerous Structures	Increased \$1,000,000 due to employee clinic sales proceeds being transferred to the General Fund.
Joint Fire Training Facility	Increased \$26,000 due to moving this activity from the General Fund to a Special Revenue Fund.

**Net Change in Special Revenue Fund Revenues = \$1,198,712**

### **FIXED ASSETS**

Revenue (transfers) reductions totaling (\$9,500) have been made to reflect a decrease in auction proceeds, which have been partially offset by an increase in insurance claims recovery.

Planned purchases decreased a total of \$245,716 due to the deferral of the Non-Departmental expense for the Firehouse Theatre ADA compliance project (-\$100,000) and the deferral of remaining expenditures for Street Maintenance monument signage (-\$128,900) to 2017-18. Additional funds totaling (-\$16,816) are also being returned to the fund due to lower than expected costs related to the purchase of patient transport/loading systems 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 2017-18 proposed budget, to be adopted later this evening, included anticipated 2016-17 adjustments when originally presented. In addition to changes included in the 2017-18 proposed budget, Hotel/Motel Fund expenses related to the DrPepper StarCenter Upgrades totaling \$986,000 will be deferred to 2017-18.

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

**AMENDED BUDGET 2016-17**

		GENERAL FUND	FIXED ASSET FUND	WATER & SEWER FUND	HOTEL/ MOTEL FUND
<b>FUND BALANCE 9/30/2016</b>	(1)	\$ 8,257,163	\$ 815,098	\$ 1,288,493	\$ 1,857,115
2016-17 ESTIMATED REVENUES		\$ 54,858,900	\$ 3,651,864	\$ 19,744,200	\$ 3,076,000
2016-17 ESTIMATED EXPENDITURES		<u>54,920,200</u>	<u>3,442,286</u>	<u>20,915,900</u>	<u>3,922,900</u>
<b>ADDITION TO (USE OF) FUND BALANCE SUB-TOTAL</b>		<u>\$ (61,300)</u>	<u>\$ 209,578</u>	<u>\$ (1,171,700)</u>	<u>\$ (846,900)</u>
<b>SPECIAL EXPENDITURES</b>					
ASSIGNED FOR FUTURE PURCHASES		<u>\$</u>	<u>\$ (19,478)</u>	<u>\$</u>	<u>\$</u>
<b>ADDITION TO (USE OF) FUND BALANCE</b>		<u>\$ (61,300)</u>	<u>\$ 190,100</u>	<u>\$ (1,171,700)</u>	<u>\$ (846,900)</u>
<b>ESTIMATED FUND BALANCE 9/30/2017</b>		<u>\$ 8,195,863</u>	<u>\$ 1,005,198</u> (2)	<u>\$ 116,793</u>	<u>\$ 1,010,215</u>
<b>TARGET BALANCES</b>	<b>High</b>	\$ 10,403,920 (3)	\$ 300,000	\$ 2,000,000	\$ 300,000
	<b>Low</b>	\$ 7,802,940 (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 9/30/16 Comprehensive Annual Financial Report. Fixed Asset Fund Balance has been adjusted for \$111,264 in 2015-16 assigned purchases.

[2] The Estimated Ending Fund Balance for 9/30/2017 reflects an adjustment for the assignment of future purchases totaling \$19,478.

[3] The General Fund target balance has been adjusted for \$2,900,600 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 2016-17**

		<b>GENERAL FUND</b>	<b>FIXED ASSET FUND</b>	<b>WATER &amp; SEWER FUND</b>	<b>HOTEL/ MOTEL FUND</b>
<b>FUND BALANCE 9/30/2016</b>	(1)	\$ 8,257,163	\$ 815,098	\$ 1,288,493	\$ 1,857,115
2016-17 ESTIMATED REVENUES		\$ 54,858,900	\$ 3,651,864	\$ 19,744,200	\$ 3,076,000
2016-17 ESTIMATED EXPENDITURES		<u>54,620,200</u>	<u>3,442,286</u>	<u>20,815,900</u>	<u>3,847,900</u>
<b>ADDITION TO (USE OF) FUND BALANCE SUB-TOTAL</b>		<u>\$ 238,700</u>	<u>\$ 209,578</u>	<u>\$ (1,071,700)</u>	<u>\$ (771,900)</u>
<b>SPECIAL EXPENDITURES</b>					
ASSIGNED FOR FUTURE PURCHASES		<u>\$</u>	<u>\$ (19,478)</u>	<u>\$</u>	<u>\$</u>
<b>ADDITION TO (USE OF) FUND BALANCE</b>		<u>\$ 238,700</u>	<u>\$ 190,100</u>	<u>\$ (1,071,700)</u>	<u>\$ (771,900)</u>
<b>ESTIMATED FUND BALANCE 9/30/2017</b>		<u>\$ 8,495,863</u>	<u>\$ 1,005,198 (2)</u>	<u>\$ 216,793</u>	<u>\$ 1,085,215</u>
<b>TARGET BALANCES</b>	<b>High</b>	\$ 10,343,920 (3)	\$ 300,000	\$ 2,000,000	\$ 300,000
	<b>Low</b>	\$ 7,757,940 (3)			

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

**PROPOSED YEAR-END AMENDED BUDGET 2016-17**

		GENERAL FUND	FIXED ASSET FUND	WATER & SEWER FUND	HOTEL/ MOTEL FUND
<b>FUND BALANCE 9/30/2016</b>	[1]	<u>\$ 8,257,163</u>	<u>\$ 815,098</u>	<u>\$ 1,288,493</u>	<u>\$ 1,857,115</u>
2016-17 ESTIMATED REVENUES		53,197,100	3,642,364	19,488,700	2,970,300
2016-17 ESTIMATED EXPENDITURES		<u>53,090,600</u>	<u>3,196,570</u>	<u>20,401,700</u>	<u>4,005,100</u>
<b>ADDITION TO (USE OF) FUND BALANCE SUB-TOTAL</b>		<u>106,500</u>	<u>445,794</u>	<u>(913,000)</u>	<u>(1,034,800)</u>
<b>SPECIAL EXPENDITURES</b>					
ASSIGNED FOR FUTURE PURCHASES			<u>(19,478)</u>		
<b>ADDITION TO (USE OF) FUND BALANCE</b>		<u>106,500</u>	<u>426,316</u>	<u>(913,000)</u>	<u>(1,034,800)</u>
<b>ESTIMATED FUND BALANCE 9/30/2017</b>		<u>\$ 8,363,663</u>	<u>\$ 1,241,414</u> [2]	<u>\$ 375,493</u>	<u>\$ 822,315</u>
<b>TARGET BALANCES</b>	<b>High</b>	\$ 10,038,000 (2)	\$ 300,000	\$ 2,000,000	\$ 300,000
	<b>Low</b>	\$ 7,528,500 (2)			

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**COMBINED SUMMARY OF ESTIMATED REVENUES,**  
**EXPENDITURES AND FUND BALANCES - SELECT FUNDS**  
**PROPOSED YEAR-END AMENDED BUDGET 2016-17**

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