



City of Glendale – Workshop Council Report June 6, 2017

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FY 16-17 THIRD QUARTER FINANCIAL REPORT

The first section of this report covers the General Fund which includes all sources of revenue not designated for a special purpose and expenditures to support general city services such as police; fire; parks, recreation, and library; city court; general administrative services; and contractual obligations such as the Arena and Camelback Ranch. The second section covers Special Revenue Funds which include the Highway User Revenue Fund (HURF), and the Transportation, Police, and Fire Special Revenue Funds. The third section covers the Enterprise Funds which include the Water and Sewer; Sanitation; and Landfill Funds.

For each of the major operating funds, the actual revenues and expenditures recorded in the City's financial system through March 31, 2017 are compared to the budget adopted by the Council on June 14, 2016. As a general guideline at the third quarter, revenues and expenditures are considered on target if they are close to 75% of the budgeted amount. For simplicity and budgetary comparison purposes, revenues may include transfers in from other funds and expenditures may include transfers out to other funds. In some funds the transfers in and out are labeled and presented separately. In other funds, transfers in and out are presented as either a net transfer in or out. The actual revenues and expenditures are also compared to the actual revenues and expenditures from the same time last year. This analysis identifies upward or downward trends in revenue and expenditures compared to the previous year. At the request of the Council, year-to-date revenues and expenditures for the past two years are also presented to show a three-year comparison. Significant trends and variances are analyzed in more detail to determine what factors may be influencing the results.

General Fund

The City's total General Fund revenue is \$171.2 million which is 73% of the \$235.5 million annual budget. Revenues are \$2.8 million or 2% higher than revenues at the same time last year. The two largest components of General Fund revenues are City Sales Tax and State Shared Tax Revenues. Together these two revenue sources represent \$122.4 million or 72% of the general fund revenue at the third quarter of the year. General Fund City Sales Tax collections are \$77.4 million which is an increase of \$1.5 million or 2% over the same time last year. General Fund Sales Tax collections are on target at 74% of the estimate for the year.

State Shared Revenue is primarily made of up two components: State Shared Income Tax and State Shared Sales Tax. The State Shared Income Tax component is very predictable because it is based on state income tax collected two years ago. Therefore, it is coming in exactly on target at 75% of the budgeted amount. The city's State Shared Sales Tax is based on current year statewide collections with a two-month lag from the actual sales. Therefore, the city's revenue

reported through March of 2017 reflects actual statewide sales transactions through January of 2017. The city's share of State Shared Sales Tax revenue is coming in below target at 71% of the budget. The city's budget was based on a statewide increase of approximately 6%, however, the ADOR is reporting that statewide collections through the relevant period are up only 4%. This is impacting the city's revenue and is the primary reason it is lower than expected through March.

Other General Fund Revenues including Development Services Fees, Business License Fees, and Franchise Fees are \$1.3 million or 4% lower than they were at the same time last year. This is primarily due to settlement revenue of \$1 million last year (FY15-16). After adjusting for this one-time settlement revenue, Other General Fund revenues decreased \$215,000 and are below target at \$29.9 million, which is 67% of the annual budget. Arena revenues are below target at 32% of the annual budget but the budgeted revenues are expected to be received in the fourth quarter when the payment for the revenue sharing is due from the Arena Manager. Transaction Privilege Tax license fees are now being billed and collected by the Arizona Department of Revenue (ADOR) and they are lower than normal for this time of the year.

Overall, General Fund revenues are performing fairly consistently with the amount budgeted and anticipated. As noted above, there are two areas which are underperforming slightly: TPT License Fees and State Shared Sales Tax. TPT license fees are a very small portion of the budget and the city continues to work with the ADOR to improve the process of collecting these fees. State Shared Sales Tax is a more significant portion of the budget but the estimates remain within a reasonable range. Staff will continue to monitor these revenues closely.

General Fund expenditures are \$151.4 million which is on target at 75% of the budget. The actual expenditures increased by \$16.7 million or 12% over the same time last year. This increase is due to the budgeted one-time final payment of \$5 million to the National Hockey League (NHL) for the Coyotes Newco agreement, the \$3.6 million payment for the stadium parking settlement agreement, and \$9.9 million in public safety salaries, overtime, and retirement expenses. The increase in public safety expenditures was budgeted and those expenses are slightly above target at 77% of the annual budget. The settlement payment was approved by Council and appropriation was transferred from the city's general fund contingency. Transfers out are below target at 72% of the budget.

General Fund

Item Description	FY13-14 YTD	FY14-15 YTD	FY15-16 YTD	Budget FY16-17	Actual FY16-17	% of Budget
City Sales Tax	\$ 59,102,217	\$ 63,000,429	\$ 75,872,033	\$ 104,698,767	\$ 77,376,525	74%
State Shared Revenues	39,425,625	42,070,714	43,242,985	61,308,037	45,041,922	73%
Other Revenues	25,780,187	27,027,186	31,176,434	44,270,326	29,867,374	67%
Transfers In	-	18,331,814	18,108,333	25,186,732	18,890,049	75%
Total Revenues	124,308,029	150,430,143	168,399,785	235,463,862	171,175,870	73%
Expenditures	(90,974,557)	(109,252,845)	(134,733,735)	(201,653,699)	(151,414,673)	75%
Transfers Out	(25,381,531)	(23,556,568)	(15,839,009)	(32,770,731)	(23,538,521)	72%
Total Expenditures and Transfers Out	(116,356,088)	(132,809,413)	(150,572,744)	(234,424,430)	(174,953,194)	75%
Excess (Deficiency)	\$ 7,951,941	\$ 17,620,730	\$ 17,827,041	\$ 1,039,432	\$ (3,777,324)	

Special Revenue Funds

Special revenue funds presented below include the Highway User Revenue Fund (HURF), Transportation Sales Tax Special Revenue Fund, Police Special Revenue Fund, and Fire Special Revenue Fund.

Highway User Revenue Funds (HURF)

Revenues in the Highway User Revenue Fund are \$11.3 million which is an increase of \$595,000 or 6% over the prior year. The increase is primarily due to a special distribution of \$585,000 from the State of Arizona General Fund that was approved by the Legislatures in the spring of 2016. Highway User Revenues are above target at 79% of the annual budget.

Expenditures in the fund are significantly lower than the target at \$9.3 million or 31% of the annual budget. The primary reason for this variance is the budgeted capital project expenditures of \$18.5 million in this fund which typically are spent unevenly throughout the fiscal year. Capital expenditures at the third quarter are \$2.3 million or 13% of the annual budget.

Highway User Revenue Fund

Item Description	FY13-14 YTD	FY14-15 YTD	FY15-16 YTD	Budget FY16-17	Actual FY16-17	% of Budget
Highway User Revenues	\$ 9,138,751	\$ 10,105,754	\$ 10,687,635	\$ 14,310,810	\$ 11,283,096	79%
Expenditures	(5,912,896)	(5,249,743)	(12,670,032)	(29,489,872)	(9,267,666)	31%
Excess (Deficiency)	\$ 3,225,855	\$ 4,856,011	\$ (1,982,397)	\$ (15,179,062)	\$ 2,015,430	

Transportation Sales Tax Special Revenue Fund

Revenues in the Transportation Sales Tax Special Revenue Fund Revenues are \$286,000 or 2% higher than the same time last year and are above target at 79% of the annual budget. This is due to an increase in grants revenue of \$112,000. Expenditures in this fund are below target at \$16.9 million or 47% of the annual estimate. This is primarily due to the budgeted capital project expenditures of \$20.7 million in this fund which typically are spent unevenly throughout the year. Capital expenditures at the third quarter are \$7.9 million or 38% of the annual budget.

Transportation Sales Tax Fund

Item Description	FY13-14 YTD	FY14-15 YTD	FY15-16 YTD	Budget FY16-17	Actual FY16-17	% of Budget
Revenues	\$ 16,825,000	\$ 20,775,479	\$ 19,650,760	\$ 25,317,441	\$ 19,936,310	79%
Transfers In (Net)	675,000	675,000	675,000	900,000	900,000	100%
Total Revenues and Transfers In	17,500,000	21,450,479	20,325,760	26,217,441	20,836,310	79%
Expenditures	(13,779,835)	(14,529,176)	(13,866,438)	(36,253,248)	(16,894,101)	47%
Excess (Deficiency)	\$ 3,720,165	\$ 6,921,303	\$ 6,459,322	\$ (10,035,807)	\$ 3,942,209	

Police Special Revenue Fund

Revenues in the Police Special Revenue Fund are \$11.8 million which is \$301,000 or 3% above the revenues at same time last year and slightly below target at 73% of the annual budget. Transfers out in the Police Special Revenue Fund are \$12.7 million which is on target at 75% of the budget. The deficiency shown is a budgeted draw down of fund balance. Due to the change in the method of accounting and budgeting for enhanced police services, there are no budgeted expenditures in this fund and all uses are accounted for as transfers to the General Fund.

Police Special Revenue Fund

Item Description	FY13-14 YTD	FY14-15 YTD	FY15-16 YTD	Budget FY16-17	Actual FY16-17	% of Budget
Total Revenues	10,035,649	11,208,496	11,491,968	16,086,459	11,793,425	73%
Total Transfers Out	(9,700,242)	(12,413,077)	(12,228,791)	(16,986,459)	(12,739,844)	75%
Excess (Deficiency)	\$ 335,407	\$ (1,204,581)	\$ (736,823)	\$ (900,000)	\$ (946,419)	

Fire Special Revenue Fund

Revenues in Fire Special Revenue Fund are \$5.9 million which is \$157,000 or 3% above the revenues at the same time last year and slightly below target at 73% of the annual budget. Fire Special Revenue Fund transfers out are \$6.2 million which is on target at 75% of the annual estimate. The deficiency shown is a budgeted draw down of fund balance. Due to the change in the method of accounting and budgeting for enhanced fire services, there are no budgeted expenditures in this fund and all uses are accounted for as transfers to the General Fund.

Fire Special Revenue Fund

Item Description	FY13-14 YTD	FY14-15 YTD	FY15-16 YTD	Budget FY16-17	Actual FY16-17	% of Budget
Total Revenues	5,028,303	5,607,727	5,740,964	8,100,273	5,897,837	73%
Total Transfers Out	(5,138,846)	(5,918,737)	(5,879,543)	(8,200,273)	(6,150,205)	75%
Excess (Deficiency)	\$ (110,543)	\$ (311,010)	\$ (138,579)	\$ (100,000)	\$ (252,368)	

Enterprise Funds

The funds presented below include the Water and Sewer, Sanitation, and Landfill Enterprise Funds.

Water and Sewer Enterprise Funds

Combined revenues in the Water and Sewer Enterprise Funds are below target at 70% of the annual estimate or \$63.4 million. Water revenues at the third quarter are above target at 78% or \$36.5 million which is an increase of \$815,286 or 2% over the prior year. The increase is primarily due to an increase in water consumption and water sales because of improved economic conditions. Sewer revenues are essentially the same as the prior year at \$24.3 million

which is \$172,000 or 1% higher than last year. Sewer revenues are also on target at 75% of the annual budget. Other revenues are significantly below target at 23% of the annual budget. This is due to budgeted revenues from the City of Peoria for the improvements to the Pyramid Peak Plant which is still in the planning and development stage. These revenues are a direct offset to the cost of the project so that the reduction in revenue has a corresponding reduction in capital expenses.

Expenditures in the Water and Sewer Enterprise Funds are below target at \$54.3 million or 33% of the annual budget. This is primarily due to \$109.3 million in budgeted capital projects in this fund which typically are spent unevenly throughout the year. Capital expenditures at the third quarter are \$17.8 million or 16% of budget.

Water and Sewer Enterprise Funds

Item Description	FY13-14 YTD	FY14-15 YTD	FY15-16 YTD	Budget FY16-17	Actual FY16-17	% of Budget
Water Revenues	\$ 35,949,877	\$ 34,439,742	\$ 35,635,390	\$ 46,604,000	\$ 36,450,676	78%
Sewer Revenues	24,081,162	23,898,036	24,143,821	32,530,000	24,315,837	75%
Other Revenues	1,821,420	1,749,449	2,462,691	11,885,500	2,681,432	23%
Transfers In (Net)	-	-	-	229,388	-	0%
Total Revenues and Transfers In	61,852,459	60,087,227	62,241,902	91,248,888	63,447,945	70%
Total Expenditures	(50,555,562)	(46,078,926)	(44,517,609)	(165,941,490)	(54,308,512)	33%
Excess (Deficiency)	\$ 11,296,897	\$ 14,008,301	\$ 17,724,293	\$ (74,692,602)	\$ 9,139,433	

Sanitation Enterprise Fund

Combined revenues in the Sanitation Enterprise Fund are \$11.3 million which is essentially equivalent to the prior fiscal year and slightly above target at 77% of the annual budget. Expenditures are below target at 72% of the annual budget or \$12.9 million. Expenditures increased \$2.9 million or 29% over last year. This is primarily due to an increase in capital expenditures and purchase of capital equipment.

Sanitation Enterprise Fund

Item Description	FY13-14 YTD	FY14-15 YTD	FY15-16 YTD	Budget FY16-17	Actual FY16-17	% of Budget
Commercial Sanitation Revenue	2,952,663	3,102,788	3,154,369	3,717,500	2,873,126	77%
Residential Sanitation Revenue	8,012,799	8,043,458	8,072,419	10,683,150	8,146,641	76%
Other Sanitation Revenue	123,244	96,527	193,713	223,000	272,279	122%
Transfers In (Net)	-	-	-	125,392	-	0%
Total Revenues and Transfers In	11,088,706	11,242,773	11,420,501	14,749,042	11,292,046	77%
Total Expenditures	(10,592,688)	(11,737,137)	(10,052,862)	(17,948,718)	(12,944,597)	72%
Excess (Deficiency)	\$ 496,018	\$ (494,364)	\$ 1,367,639	\$ (3,199,676)	\$ (1,652,551)	

Landfill Enterprise Fund

Revenues in the Landfill Enterprise Fund are \$7.3 million which is \$197,000 or 3% below the revenues at the same time last year and below target at 67% of the annual budget. This is primarily due to recycling revenues coming in below target because of the continually unfavorable commodities market.

Expenditures in the fund are below target at \$8.1 million or 43% of the annual budget. This is primarily due to \$7.5 million in budgeted capital projects which will typically be spent unevenly throughout the year. Capital expenditures at the third quarter are \$898,000 or 12% of the annual budget.

Landfill Enterprise Fund

Item Description	FY13-14 YTD	FY14-15 YTD	FY15-16 YTD	Budget FY16-17	Actual FY16-17	% of Budget
Total Revenues and Transfers In	6,820,693	7,323,248	7,514,905	10,946,527	7,318,247	67%
Total Expenditures and Transfers Out	(4,972,808)	(5,762,336)	(9,718,634)	(18,585,234)	(8,063,225)	43%
Excess (Deficiency)	\$ 1,847,885	\$ 1,560,912	\$ (2,203,729)	\$ (7,638,707)	\$ (744,978)	

Summary

Overall, revenue analysis for the major operating funds show consistent financial results when compared to the budget. Expenditures either remained on track or were less than budgeted due primarily to unspent capital projects funding. Staff will continue to monitor the actual results and prepare a financial analysis quarterly.