

MEMORANDUM

To: Russ Blackburn, City Manager
Patricia Roebing, Assistant City Manager
Jesus Merejo, Assistant City Manager/Utilities Director
City Council
City Staff

From: Ivy Ladyko, Senior Management Analyst, OMB
Margie Manfredi, Management Analyst, OMB

Thru: David K. Pollard, CGFO, Director of OMB

Date: January 17, 2017

Re: 4th Quarter Unaudited Summarized Financial Reports - September 30, 2016

Based on the unaudited financial results through September 30, 2016, I have compiled the Fourth Quarter Summarized Financial Statement report. This report presents the City's summarized comparison of actual results, the fiscal year budget, and the audited results for the prior year. Included are breakdowns of the City's revenues, operating budget expenditures and capital budget expenditures. The major funds of the City are discussed below.

Budget

The budget amount in this report represents the official adopted budget, as approved by the City Council, for the fiscal year 2015-16 with their approved amendments. In several cases, the discussion will compare the actual results to the "estimated or projected" amount because those are the figures used during the budget process.

General Fund

The top five revenues of the General Fund, Ad Valorem Property Tax, Sales Tax Revenue, Communications Service Tax, Electric Utility Tax and Electric Franchise Revenue, accounted for 78% of the total for FY 2015-16. The combined September 2016 year-to-date collections for these five major revenues was \$67,265,069, (0.68%) less than the projection used during the budgeting process. The total revenues of the General Fund exceeded their projection by \$19,305 or .02%.

General Fund expenses ended the year with additional savings of \$2,063,585 million, which is (2.44%) less than our projection for budget. The primary items that helped generate this savings were the MIS department saving \$331,922, mostly in their capital equipment line item. Legal department saved \$204,796 in professional services and other savings were realized based on departments not spending all of their salaries and operating budget. There are a few projects that will be re-budgeted in budgeted amendment #1, the Police Departments Hydraulic Gate (\$94,800), power washer at Civic Center (\$14,707) and the MIS department Fat-pipe project (\$25,834). The cost of Hurricane Matthew

(\$3,126,231) will also be captured in budget amendment #1. This office is also aware of the higher costs associated with the VGTI building and associated legal costs that will need to be included in budget amendment #2.

As explained above and shown in the financial data attached, the General Fund's ending balance grew by ±\$2 million. The excess balance can be used for one-time projects as needed and approved by the City Manager and Council.

Road & Bridge Fund

Ad Valorem taxes and Local Option Gas Tax combined to account for 82.9% of this fund's total revenue in FY 2015-16. These two major revenues generated \$8,143,422 million and exceeded the projected amount by \$55,745 (0.68%) for this fund. With revenues exceeding budget and expenses less than budget, an operating surplus of \$321,135 occurred for the year. This is a smaller annual surplus than prior years. Looking into the future, this fund's Property Tax revenue will benefit from the growth in taxable value in the City.

Building Fund

Permit Fees exceeded its budget by ±\$2 million while expenses ended the year less than their budget, generating an annual operating surplus of ±\$2.8 million for the year. The graph on page 15 is most helpful in exhibiting the strong growth in revenues and only slight growth in expenses. This fund is adding three positions in fiscal year 16-17 to maintain the level of service to the contractors in our community, thus the expenses will climb in the current and future years.

Stormwater Utility Fund

The annual operating revenues of this fund ended the year slightly greater than its budget while expenses are less than budget by ±\$4.2 million after subtracting depreciation. This fund saved nearly ±\$2.7 million between operating and capital projects. The total results show ±\$4 million in additional fund balance.

Water & Sewer Funds

The two major operating revenues for the Water and Sewer Fund are the monthly customer user fees and the 6% surcharge. The actual collections exceeded budget by nearly ±\$3 million. Actual operating expenses ended the year with savings of ±\$2.8 million. Additionally, debt was refinanced during the year to lower the interest and principal payments and created savings of over \$10 million for FY 2015-16. Please note that the financial statement shows an operating deficit of ±\$2.4 million (page 23), however that included the noncash accounting charge for depreciation of \$27,975,911.

Golf Course Fund

The operating revenues of this fund fell short of its revenues by \$89,885. Expenses were held to less than budgeted for a combined annual surplus of \$35,068 thousand after backing out the non-cash charge for depreciation. This fund now has a fund balance of \$358,924 which sufficiently covers the required 15% budgeted contingency.

Capital Expenses

The Capital Improvement Plan Funds ended the year within their budget. Any available balances specific to a project that did not get underway will be re-budgeted at the request of the department in an upcoming budget amendment. Several of the CIP funds ended the fiscal year with a stronger balance than was projected. The Parks Impact Fee Fund has a balance of \$1,754,704 which is greater than projected and the Road CIP Fund finished with ±\$2 million additional fund balance due to a combination of revenues exceeding budget while several projects showing savings.

In summary this report is based on the twelve months of actual results for year ending September 2016. As mentioned above, many funds ended the year in a better financial position than was projected. There are also many items that will require funding in the first budget amendment of FY 2017-18. These actual results will now be used to update long-range models and begin preparation for FY 2018-19 budget development.