


**MEMORANDUM**

**TO:** Barbara Lipscomb, City Manager  
 Michael Cowin, Assistant City Manager  
**FROM:** Bernita W. Demery, CPA, MBA, Director of Financial Services   
**DATE:** June 15, 2017  
**SUBJECT:** Major Fund Financial Month-End Report – As of May 31, 2017

This is a financial snapshot for the year to date net results as of May 31, 2017. The eleven-month period represents approximately 92% of fiscal year 2017. The results show a comparison of the year-to-date through May 31, 2017 to the year-to-date period ending May 31, 2016 for revenues, expenses, and transfers. Significant variances from the prior period(s) will be noted. Staff has also included a year-end projection discussion.

**General Fund Summary:**

The following is a summary of the General Fund for May 31, 2017 on a year to date basis:

GENERAL FUND SUMMARY AS OF MAY 31, 2017						
	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC./ SPENT
REVENUES	\$ 70,614,507	\$ 68,471,189	\$ 2,143,319	3%	\$ 86,189,618	82%
EXPENSES	\$ 58,558,775	\$ 57,409,834	\$ 1,148,941	2%	\$ 72,083,619	81%
TRANSFERS	\$ 9,408,476	\$ 8,102,349	\$ 1,306,126	16%	\$ 14,105,999	67%
NET	\$ 2,647,256	\$ 2,959,005	\$ (311,749)	-11%	-	

For the current year ending May 31, 2017, the net result decreased 11% compared to the month ending May 31, 2016. This increase is due to the timing of transfers in 2017.

cc: Department Heads

## Revenues

Year to date revenues have increased .3% when compared to prior year April year to date. A brief explanation of revenues, along with revenue variances +/- 10%, is listed below.

GENERAL FUND REVENUE BY TYPE SUMMARY AS OF MAY 31, 2017						
	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC/ SPENT
PROPERTY	\$31,637,411	\$31,038,422	\$ 598,989	2%	\$32,444,935	98%
SALES	13,904,852	12,868,820	1,036,032	8%	17,831,023	78%
UTILITIES	5,137,022	5,185,422	(48,401)	-1%	7,158,899	72%
MOTOR VEHICLE	1,177,710	861,622	316,088	37%	1,383,674	85%
INSPECTION	1,278,459	575,458	703,002	>100%	916,402	140%
RESCUE	2,051,809	2,754,312	(702,503)	-26%	3,096,519	66%
RECREATION	1,651,110	1,671,303	(20,192)	-1%	1,979,690	83%
INVESTMENTS	478,169	384,387	93,782	24%	500,000	96%
GUC TRANS. IN	4,955,696	6,660,334	(1,704,638)	-26%	6,459,112	77%
POWELL BILL	2,201,441	2,220,065	(18,623)	-1%	2,220,065	99%
SUBTOTAL	64,473,680	64,220,146	253,534	<1%	73,990,319	87%
ALL OTHER REV.	6,140,827	4,251,043	1,889,784	44%	7,867,124	78%
APP. FUND BAL.	-	-	-	0%	4,332,175	0%
SUBTOTAL	6,140,827	4,251,043	1,889,784	44%	12,199,299	50%
<b>TOTAL</b>	<b>\$70,614,507</b>	<b>\$68,471,189</b>	<b>\$ 2,143,319</b>	<b>3%</b>	<b>\$86,189,618</b>	<b>82%</b>

- **PROPERTY TAX:** This revenue source accounts for approximately 38% of the overall budget. The 2% increase over the last year is consistent with budget expectations given the growth based on property revaluation. This category is expected to be slightly under budget for fiscal year 2017.
- **SALES TAX:** Sales Tax revenues make up 21% of the overall budget. There was an increase of \$1,036,032 (8%) compared to May 31, 2016 due to increased spending related to construction in the City. This category is projected to exceed the budget amount for fiscal year 2017.
- **MOTOR VEHICLE:** Motor vehicle fees have increased by 37% due to the increase from \$20 registration fee to \$30. This category is expected to slightly exceed budget for the fiscal year.
- **INSPECTIONS:** The year to date increase of more than 100% can be attributed to an increase in permits issued in FY 2017 for the new Mayne Pharmaceutical Plant and other major construction projects within the City. This category has already exceeded budget for the fiscal year.
- **RESCUE:** The year to date decrease of 26% can be attributed to vacancies within the Collections Department as well as increased processing time due to training incoming and temporary staff. Rescue fee revenue is expected to be under budget for the current fiscal year.
- **INVESTMENT EARNINGS:** Year to date, this category increased by 24%, due to the variance in the market each month. Based on this market variance, fluctuations from month-to-month will vary. Projections for this source are expected to come in just under budget.



- **GUC TRANSFER IN:** The decrease of 26% is due to the change in the allocation received from GUC and the timing of the receipt of the revenue for the current period. This allocation is equal to six percent of the difference between the electric and natural gas system's net fixed assets and total bonded indebtedness plus 50% of GUC's total cost of service for the City's public lighting. Projections show that the City will exceed budget based on discussions with GUC to normalize the periodic average of the transfer.
- **ALL OTHER REVENUE:** The increase of 44% is due to federal forfeiture, Economic Development grant money and the one-time sale of the Police / Fire parking lot. This category is expected to be under budget for FY 2017 due to the timing of the reimbursement for the Safe Walks to Schools streets project.

## Expenses

GENERAL FUND EXPENSE BY CATEGORY SUMMARY AS OF MAY 31, 2017						
EXPENSES	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC/ SPENT
PERSONNEL	\$ 43,400,416	\$ 42,417,283	\$ 983,133	2%	\$ 50,659,031	86%
OPERATIONS	13,307,995	13,599,037	(291,042)	-2%	17,018,679	78%
CAPITAL OUTLAY	142,845	179,031	(36,186)	-20%	313,848	46%
CAPITAL IMPROVEMENTS	1,707,519	1,214,483	493,036	41%	4,092,061	42%
<b>TOTAL</b>	<b>\$ 58,558,775</b>	<b>\$ 57,409,834</b>	<b>\$ 1,148,941</b>	<b>2%</b>	<b>\$ 72,083,619</b>	<b>81%</b>

Expenses have increased 2%, year to date. Personnel expenses experienced the largest increase, while the other categories (Operations, Capital Outlay, and Capital Improvements) fluctuate year-to-year due to the timing of payment for various items. A brief explanation is provided below:

- **PERSONNEL EXPENSE:** The City was affected by Hurricane Matthew in October and November, which had the effect of increasing personnel costs associated with storm cleanup and public safety efforts. Staff is working to obtain FEMA reimbursement for those expenses as quickly as possible. Overtime expenses have also significantly increased as a result of the Police Department fully implementing the change to the Emergency Call Back policy that was approved by Council in September of 2015. The market adjustment to all City personnel was 2% for FY 2017. Note also that the Personnel Expense budget for FY 2017 includes a 1% increase in the vacancy rate adjustment, to approximately 4% to account for projected vacancies throughout the fiscal year.
- **CAPITAL OUTLAY:** Capital Outlay expenses have decreased by 20%, year to date, due to Controlled Substance spending by the Police Department for the purchase of new tasers that occurred in the prior fiscal year.
- **CAPITAL IMPROVEMENTS:** Capital Improvements for the City have increased by 41% due to the number of projects the City has completed to date, such as sidewalk construction costs and Economic Development grant expenses.

GENERAL FUND EXPENSE BY DEPARTMENT SUMMARY AS OF MAY 31, 2017						
EXPENSES	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC/ SPENT
MAYOR & COUNCIL	\$ 390,710	\$ 372,101	\$ 18,609	5%	\$ 379,078	103%
CITY MANAGER	2,127,551	997,976	1,129,575	>100%	2,889,179	74%
CITY CLERK	208,463	199,239	9,224	5%	244,879	85%
CITY ATTORNEY	410,666	400,012	10,654	3%	455,059	90%
HUMAN RESOURCES	1,967,633	2,836,407	(868,774)	-31%	2,808,701	70%
INFORMATION TECH.	2,658,372	2,667,557	(9,186)	<1%	3,226,479	82%
FIRE/RESCUE	12,008,968	11,813,411	195,557	2%	14,368,438	84%
FINANCIAL SVCS.	2,227,030	2,178,976	48,053	2%	2,491,809	89%
CONTINGENCY	-	-	-	0%	6,275	0%
OPEB CONTRIBUTION	500,000	450,000	50,000	11%	500,000	100%
POLICE	20,440,814	20,479,792	(38,977)	0%	23,707,352	86%
RECREATION & PARKS	6,834,380	6,603,598	230,782	3%	8,300,495	82%
PUBLIC WORKS	7,633,610	7,102,998	530,612	7%	11,452,565	67%
COMM. DEVELOPMENT	2,134,262	2,269,693	(135,431)	-6%	2,686,169	79%
INDIRECT COST	(983,684)	(961,927)	(21,757)	2%	(1,432,859)	69%
<b>TOTAL</b>	<b>\$58,558,775</b>	<b>\$57,409,834</b>	<b>\$ 1,148,941</b>	<b>2%</b>	<b>\$72,083,619</b>	<b>81%</b>

Overall, departmental spending fell within the expected limit as a percentage of budgets. Total department expenses have increased by 1%, year to date. Departmental variances greater than +/- 10% noted below:

- **CITY MANAGER:** The year to date increase of more than 100% is in part due to the addition of Economic Development division to the City Manager's Office for FY 2017. For FY 2016, the Economic Development division was located in the Community Development Department. The increase can also be attributed to the fact that there were vacancies within the Public Information Office.
- **HUMAN RESOURCES:** The 31% decrease, year to date, is due to a change in the timing of workers' compensation premium and loss payments, as well as the timing for those payments in FY 2016.
- **OPEB CONTRIBUTION:** The year to date increase of 11% is due to the OPEB payment in FY 2017 compared to FY 2016, increasing from \$450,000 to \$500,000.



## Transfers

GENERAL FUND TRANSFERS AS OF MAY 31, 2017					
Description	2017 YTD	2016 YTD	\$ CHANGE	2017 BUDGET	% REC/ SPENT
To Facilities Imp Fund	1,590,000	1,579,180	10,820	1,590,000	100%
To Capital Reserve	467,119	1,447,301	(980,182)	467,119	100%
To Transit Fund	565,269	683,784	(118,515)	565,269	100%
To Debt Service	1,678,357	2,042,254	(363,898)	4,809,002	35%
To Sheppard Library	1,097,303	1,035,915	61,389	1,197,058	92%
To Home Division	-	-	-	292,684	0%
To Spec Rev Grant	268,803	9,000	259,803	268,803	100%
To R&P Capital Projects	1,876,864	10,000	1,866,864	1,999,017	94%
To F/R Capital Projects	-	47,780	(47,780)	-	0%
To PW Capital Projects	1,864,761	1,247,136	617,625	1,877,047	99%
To CD Capital Projects	-	-	-	1,040,000	0%
<b>TOTAL</b>	<b>\$ 9,408,476</b>	<b>\$ 8,102,349</b>	<b>\$ 1,306,126</b>	<b>\$ 14,105,999</b>	<b>67%</b>

The year to date increase in transfers is due to an effort to create a higher level of timeliness in the transfer of funds from the General Fund. Year to date, 67% of all General Fund transfers have been completed with all budgeted transfers expected to be completed during the fiscal year.

The following is a summary of a few of the transfers with significant variances as compared to the prior year:

Capital Reserve: Transfer of \$467,119 budgeted for the Sidewalk Development / City employee parking project. This transfer will increase the amount in the Capital Reserve Fund for the project to approximately \$1.9 million.

R&P Capital Projects: Transfer of \$1,876,864 budgeted to fund the following capital projects:

Town Common Renovation	\$	985,932
South Greenville		416,000
West Land Acquisition		149,000
<u>Tar River Legacy Plan</u>		<u>325,932</u>
Total	\$	1,876,864

Street Improvements: Transfer of \$1.7 million represents budget transfer to the Street Improvements Fund for street resurfacing projects.

## General Fund Projection:

The following is a summary of revenue and expenditure projections for the General Fund based on results through May 31, 2017:

<b>FISCAL YEAR 2017 GENERAL FUND PROJECTION</b>				
	<b>2017 BUDGET</b>	<b>2017 YTD</b>	<b>2017 PROJECTION</b>	<b>VARIANCE BUDGET vs. PROJ.</b>
<b>REVENUES</b>				
PROPERTY SALES	\$ 32,444,935	\$ 31,637,411	\$ 32,216,783	\$ (228,152)
UTILITIES	17,831,023	13,904,852	18,712,464	881,441
MOTOR VEHICLE INSPECTION	7,158,899	5,137,022	6,953,609	(205,290)
RESCUE	1,383,674	1,177,710	1,409,681	26,007
RECREATION	916,402	1,278,459	1,350,546	434,144
INVESTMENTS	3,096,519	2,051,809	2,543,997	(552,522)
GUC TRANS. IN	1,979,690	1,651,110	1,873,445	(106,245)
POWELL BILL	500,000	478,169	441,506	(58,494)
ALL OTHER REV.	6,459,112	4,955,696	6,459,112	-
TOTAL REVENUES	2,220,065	2,201,441	2,201,441	(18,624)
	7,867,124	6,140,827	6,720,670	(1,146,454)
	<b>\$ 81,857,443</b>	<b>\$ 70,614,507</b>	<b>\$ 80,883,254</b>	<b>\$ (974,189)</b>
<b>EXPENSES</b>				
PERSONNEL	\$ 50,659,031	\$ 43,400,416	\$ 49,403,448	(1,255,583)
OPERATING	18,265,386	13,934,523	16,328,424	(1,936,962)
CAPITAL IMPROVEMENTS	4,092,061	1,707,519	2,126,674	(1,965,387)
INDIRECT COST REIMB.	(1,432,859)	(983,684)	(1,432,859)	-
TRANSFERS	14,105,999	9,406,976	14,105,999	-
OTHER EXPENSES	500,000	500,000	500,000	-
TOTAL EXPENSES	<b>\$ 86,189,618</b>	<b>\$ 67,965,751</b>	<b>\$ 81,031,686</b>	<b>\$ (5,157,931)</b>
REVENUES LESS EXPENSES	<b>\$ (4,332,175)</b>	<b>\$ 2,648,756</b>	<b>\$ (148,433)</b>	<b>4,183,742</b>
FUND BALANCE APPROPRIATED	4,332,175	-	-	-
NET	<b>\$ -</b>	<b>\$ 2,648,756</b>	<b>\$ (148,433)</b>	<b>\$ 4,183,742</b>

Revenues provided above do not include the \$4.3 million of budgeted fund balance in the projections. While the City has budgeted \$4.3 million of fund balance to be used, the final amount used will be determined by the results of all operational and capital activity for the remainder of the fiscal year. Please note the items below:

- Based on the results as of May 31, 2017, it is estimated that \$148,433 of fund balance will be used as of June 30, 2017.
- There were expenses incurred in FY 2017 for Safe Walks to Schools, a project funded by a reimbursable grant, which will not receive the reimbursement of \$503,000 until FY 2018.
- That estimate includes spending 50% of the budgeted capital and 100% of budgeted transfers.

Fund Balance is used if expenses exceed revenues in any given year (i.e. ending the year with a deficit). Therefore, Appropriated Fund Balance is only used for budgeting purposes.



## Transit Fund:

TRANSIT FUND SUMMARY AS OF MAY 31, 2017						
	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC./ SPENT
<b>REVENUES</b>						
INTERGOV'T	\$ 1,114,341	\$ 1,953,998	\$ (839,657)	-43%	\$ 1,584,729	70%
SALES AND SERVICES	224,598	256,016	(31,418)	-12%	380,014	59%
TRANSFERS IN	565,269	683,784	(118,515)	-17%	565,269	100%
APPRO. FUND BAL.	-	-	-	-	131,720	0%
<b>TOTAL REVENUES</b>	<b>\$ 1,904,209</b>	<b>\$2,893,798</b>	<b>\$ (989,590)</b>	<b>-34%</b>	<b>\$2,661,732</b>	<b>72%</b>
<b>EXPENSES</b>						
PERSONNEL	\$ 990,150	\$ 916,506	\$ 73,644	8%	\$ 1,099,591	90%
OPERATIONS	722,904	817,906	(95,002)	-12%	1,041,029	69%
CAPITAL OUTLAY	255,828	677,083	(421,255)	-62%	417,112	61%
TRANSFERS	104,000	-	104,000	100%	104,000	0%
<b>TOTAL EXPENSES</b>	<b>\$ 2,072,882</b>	<b>\$2,411,495</b>	<b>\$ (338,613)</b>	<b>-14%</b>	<b>\$2,661,732</b>	<b>78%</b>
<b>NET</b>	<b>\$ (168,673)</b>	<b>\$ 482,303</b>	<b>\$ (650,977)</b>	<b>&gt;(100%)</b>		

The year to date net result in the Transit Fund decreased greater than 100%, compared to the prior year. It is very typical for the Transit Fund to have a negative net result, specifically at the beginning of the fiscal year, as the majority of the fund revenues are FTA and NCDOT grant reimbursement based.

**Revenues:** Transit revenues have decreased by 34%, year to date. Grant revenues are down, specifically due to capital reimbursements for GTAC being incorrectly posted within the Transit Fund instead of the GTAC Capital Project, which was corrected in a later period. Bus fares and ticket sales are down due to a decrease in ridership experienced in the current fiscal year. There was also a change in the allocation of the General Fund transfer for the current year, resulting in lower revenue.

**Expenses:** Total expenses have decreased by 14%, year to date. Capital expenses decreased due to increased expenses in 2016 as a result of the GTAC property purchase. The increased operating expenses in the fund for FY 2017 were due to the reclassification of transit capital assets affecting the depreciation recorded during the period. The increase in transfers was a result of a budgeted transfer to the Intermodal Project, in accordance with the current year FTA Grant Operating Plan.

## Sanitation Fund:

SANITATION FUND SUMMARY AS OF MAY 31, 2017						
	2017	2016	\$	%	2017	% REC./
	YTD	YTD	CHANGE	CHANGE	BUDGET	SPENT
<b>REVENUES</b>						
REFUSE FEES	5,578,853	6,075,477	(496,624)	-8%	7,481,586	75%
SALES / SERVICES	99,243	97,149	2,094	2%	93,020	107%
OTHER INCOME	83,557	82,658	899	1%	73,345	114%
BOND PROCEEDS	-	425,000	(425,000)	-100%	-	0%
APPRO. FUND BAL.	-	-	-	-	86,473	0%
<b>TOTAL REVENUES</b>	<b>\$ 5,761,653</b>	<b>\$ 6,680,284</b>	<b>\$ (918,631)</b>	<b>-14%</b>	<b>\$ 7,734,424</b>	<b>74%</b>
<b>EXPENSES</b>						
PERSONNEL	\$ 2,588,369	\$ 2,360,236	\$ 228,133	10%	\$ 3,068,112	84%
OPERATIONS	2,943,226	2,345,447	597,778	25%	4,011,492	73%
CAPITAL OUTLAY	30,210	326,401	(296,191)	-91%	234,093	13%
TRANSFERS OUT	237,816	-	237,816	100%	420,727	57%
<b>TOTAL EXPENSES</b>	<b>\$ 5,799,620</b>	<b>\$ 5,032,084</b>	<b>\$ 767,536</b>	<b>15%</b>	<b>\$ 7,734,424</b>	<b>75%</b>
<b>NET</b>	<b>\$ (37,967)</b>	<b>\$ 1,648,201</b>	<b>\$ (1,686,167)</b>	<b>&gt;(100%)</b>		

Like all other aspects of the City's operations, the Sanitation Fund has been impacted by Hurricane Matthew. Personnel expenses are up, due to the additional hours worked to catch up after the storm.

**Revenues:** Sanitation revenue decreases are largely due to the recording of the bond proceeds in the prior year for the Roll-Out Cart program, as well as the timing of the revenue posting in the current period. In addition, sales and services have increased due to an increase in cart and dumpster receipts.

**Expenses:** The Sanitation Fund's FY 2017 financial operations are being influenced by an initial repayment to the Vehicle Replacement Fund. Approximately, \$237,816 of the fund's year to date negative variance can be attributed to repayment of this transfer to the Vehicle Replacement Fund (i.e. Transfer Out). Expenses have increased, year to date, due to additional fleet fixed costs associated with additional side loaders, as well as the timing of expenses related to the Multi-Family Recycling Center.



## Stormwater Fund:

STORMWATER FUND SUMMARY AS OF MAY 31, 2017						
	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC./ SPENT
<b>REVENUES</b>						
STORMWATER FEES	\$ 4,127,958	4,090,769	\$ 37,189	1%	5,374,886	77%
OTHER INCOME	462	782	(320)	-41%	-	-
APPRO. FUND BAL.	-	-	-	-	1,272,792	0%
<b>TOTAL REVENUES</b>	<b>\$ 4,128,420</b>	<b>\$ 4,091,551</b>	<b>\$ 36,869</b>	<b>1%</b>	<b>\$ 6,647,678</b>	<b>62%</b>
<b>EXPENSES</b>						
PERSONNEL	\$ 1,031,489	\$ 1,102,285	\$ (70,796)	-6%	\$ 1,427,041	72%
OPERATIONS	322,441	737,630	(415,189)	-56%	1,261,848	26%
CAPITAL OUTLAY	95,000	57,097	37,903	66%	542,985	17%
CAPITAL IMPROV.	14,060	114,084	(100,024)	-88%	1,709,748	1%
TRANSFERS OUT	304,542	304,542	-	0%	1,706,056	18%
<b>TOTAL EXPENSES</b>	<b>\$ 1,767,532</b>	<b>\$ 2,315,638</b>	<b>\$ (548,107)</b>	<b>-24%</b>	<b>\$ 6,647,678</b>	<b>27%</b>
<b>NET</b>	<b>\$ 2,360,888</b>	<b>\$ 1,775,912</b>	<b>\$ 584,976</b>	<b>33%</b>		

The Stormwater fund has experienced an improvement in net results based on the seven-year plan. The operation has implemented an annual fee increase in an effort to allow the fund to cover future expenses.

**Revenues:** Stormwater revenues are experiencing a 1% increase over last year's revenues due to the fee increase.

**Expenses:** Stormwater expenses vary significantly according to the amount of Stormwater maintenance activity and the timing of capital projects. Operating expenses fluctuate based on timing differences of when items are paid. The year to date decrease of 56% in operations is due to the timing of payment for the 2006 Public Improvement Bond, which occurred in the prior year as well as decreases in stormwater-related supplies compared to the prior year. The decreases in Capital Improvement and Capital Outlay are due to the timing of capital expenses less than \$35,000 in FY 2017. Most capital expenses pertaining to Stormwater are tracked within separate capital project funds.