


**MEMORANDUM**

**TO:** Barbara Lipscomb, City Manager  
 Michael Cowin, Assistant City Manager  
**FROM:** Bernita W. Demery, CPA, MBA, Director of Financial Services   
**DATE:** April 18, 2017  
**SUBJECT:** Major Fund Financial Month-End Report – As of March 31, 2017

This is a financial snapshot for the year-to-date net results as of March 31, 2017. The nine-month period represents approximately 75% of fiscal year 2017. The results show a comparison of the year-to-date through March 31, 2017 to the year-to-date period ending March 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 March 31, 2017 on a year-to-date basis:

GENERAL FUND SUMMARY AS OF MARCH 31, 2017						
	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC./ SPENT
REVENUES	\$ 63,923,233	\$ 61,233,608	\$ 2,689,624	4%	\$ 86,167,435	74%
EXPENSES	\$ 48,881,813	\$ 47,430,030	\$ 1,451,783	3%	\$ 72,240,341	68%
TRANSFERS	\$ 8,893,847	\$ 7,957,720	\$ 936,127	12%	\$ 13,927,094	64%
NET	\$ 6,147,573	\$ 5,845,858	\$ 301,714	5%	-	-

For the current year ending March 31, 2017, the net result increased 5% compared to the month ending March 31, 2016. This increase is due to the timing of transfers in 2017.

cc: Department Heads

## Revenues

Year-to-date revenues have increased 4% when compared to prior year March year-to-date. A brief explanation of revenues, along with revenue variances +/- 10%, is listed below.

GENERAL FUND REVENUE BY TYPE SUMMARY AS OF MARCH 31, 2017						
	2017	2016	\$	%	2017	% REC/
	YTD	YTD	CHANGE	CHANGE	BUDGET	SPENT
PROPERTY	\$30,944,570	\$30,304,211	\$ 640,360	2%	\$32,444,935	95%
SALES	11,039,672	10,111,696	927,976	9%	17,831,023	62%
UTILITIES	5,137,022	5,327,224	(190,203)	-4%	7,158,899	72%
MOTOR VEHICLE	873,466	669,045	204,421	31%	1,383,674	63%
INSPECTION	990,271	478,076	512,195	>100%	916,402	108%
RESCUE	1,718,601	1,821,864	(103,263)	-6%	3,096,519	56%
RECREATION	1,258,910	1,294,537	(35,626)	-3%	1,979,690	64%
INVESTMENTS	151,739	67,110	84,628	>100%	500,000	30%
GUC TRANS. IN	4,469,722	5,400,056	(930,334)	-17%	6,459,112	69%
POWELL BILL	2,201,441	2,220,065	(18,623)	-1%	2,220,065	99%
SUBTOTAL	58,785,415	57,693,884	1,091,531	2%	73,990,319	79%
ALL OTHER REV.	5,137,817	3,539,725	1,598,093	45%	7,852,060	65%
APP. FUND BAL.	-	-	-	0%	4,325,056	0%
SUBTOTAL	5,137,817	3,539,725	1,598,093	45%	12,177,116	42%
<b>TOTAL</b>	<b>\$63,923,233</b>	<b>\$61,233,608</b>	<b>\$ 2,689,624</b>	<b>4%</b>	<b>\$86,167,435</b>	<b>74%</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.
- **SALES TAX:** Sales Tax revenues make up 21% of the overall budget. There was an increase of \$927,976 (9%) compared to March 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 31% due to the increase from \$20 registration fee to \$30.
- **INSPECTIONS:** The mid-year 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.
- **INVESTMENT EARNINGS:** Year-to-date, this category increased by more than 100%, 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 17% is due to the change in the allocation received from GUC. 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 45% is due to federal forfeiture, Economic Development Grant money and the one-time sale of the Police / Fire parking lot.

## Expenses

GENERAL FUND EXPENSE BY CATEGORY SUMMARY AS OF MARCH 31, 2017						
EXPENSES	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC/ SPENT
PERSONNEL	\$ 36,187,546	\$ 34,884,109	\$ 1,303,438	4%	\$ 50,659,031	71%
OPERATIONS	10,988,248	11,149,025	(160,777)	-1%	17,014,115	65%
CAPITAL OUTLAY	33,615	176,759	(143,144)	-81%	313,848	11%
CAPITAL IMPROVEMENTS	1,672,404	1,220,137	452,267	37%	4,253,347	39%
<b>TOTAL</b>	<b>\$ 48,881,813</b>	<b>\$ 47,430,030</b>	<b>\$ 1,451,783</b>	<b>3%</b>	<b>\$ 72,240,341</b>	<b>68%</b>

Expenses have increased 3%, year-to-date. The largest increase is coming in the area of Personnel Expense. 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. 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 81%, 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 37% due to the number of projects the City has completed to date.

GENERAL FUND EXPENSE BY DEPARTMENT SUMMARY AS OF MARCH 31, 2017						
EXPENSES	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC/ SPENT
MAYOR & COUNCIL	\$ 343,636	\$ 394,618	\$ (50,982)	-13%	\$ 379,078	91%
CITY MANAGER	1,971,758	782,003	1,189,755	>100%	2,831,859	70%
CITY CLERK	173,183	175,539	(2,356)	-1%	244,879	71%
CITY ATTORNEY	335,749	327,202	8,547	3%	455,059	74%
HUMAN RESOURCES	1,968,136	2,563,535	(595,399)	-23%	2,803,537	70%
INFORMATION TECH.	2,066,388	2,130,007	(63,619)	-3%	3,226,479	64%
FIRE/RESCUE	9,951,093	9,674,215	276,877	3%	14,368,438	69%
FINANCIAL SVCS.	1,797,573	1,842,124	(44,551)	-2%	2,491,809	72%
CONTINGENCY	-	-	-	0%	6,275	0%
OPEB CONTRIBUTION	500,000	450,000	50,000	11%	500,000	100%
POLICE	17,006,939	16,734,289	272,650	2%	23,697,452	72%
RECREATION & PARKS	5,620,598	5,349,242	271,356	5%	8,449,495	67%
PUBLIC WORKS	6,443,761	6,085,981	357,780	6%	11,464,851	56%
COMM. DEVELOPMENT	1,686,683	1,883,201	(196,519)	-10%	2,753,989	61%
INDIRECT COST	(983,684)	(961,927)	(21,757)	2%	(1,432,859)	69%
<b>TOTAL</b>	<b>\$ 48,881,813</b>	<b>\$ 47,430,030</b>	<b>\$ 1,451,783</b>	<b>3%</b>	<b>\$ 72,240,341</b>	<b>68%</b>

Overall, departmental spending fell within the expected limit as a percentage of budgets. Total department expenses have increased by 3%, year-to-date. Departmental variances greater than +/- 10% noted below:

- **MAYOR AND CITY COUNCIL:** The year-to-date decrease of 13% is due to it being an off year for election costs.
- **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 division.
- **HUMAN RESOURCES:** The 23% 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 timing of the OPEB payment in FY 2017 compared to FY 2016. The payment occurred in February during the prior fiscal year.
- **COMMUNITY DEVELOPMENT:** The year-to-date decrease of 10% is attributed to the movement of the Economic Development division.

GENERAL FUND TRANSFERS AS OF MARCH 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	460,000	1,447,301	(987,301)	460,000	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	897,794	939,065	(41,272)	1,197,058	75%
To Home Division	-	-	-	292,684	0%
To Spec Rev Grant	258,303	9,000	249,303	258,303	100%
To R&P Capital Projects	1,579,364	10,000	1,569,364	1,850,017	85%
To PW Capital Projects	1,864,761	1,247,136	617,625	1,864,761	0%
To CD Capital Projects	-	-	-	1,040,000	0%
<b>TOTAL</b>	<b>\$ 8,893,847</b>	<b>\$ 7,957,720</b>	<b>\$ 936,127</b>	<b>\$ 13,927,094</b>	<b>64%</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, 64% 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 \$460,000 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 \$1,579,364 budgeted to fund the following capital projects:

Town Common Renovation	\$	985,932
South Greenville		267,500
Tar River Legacy Plan		325,932
Total	\$	1,579,364

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 March 31, 2017:

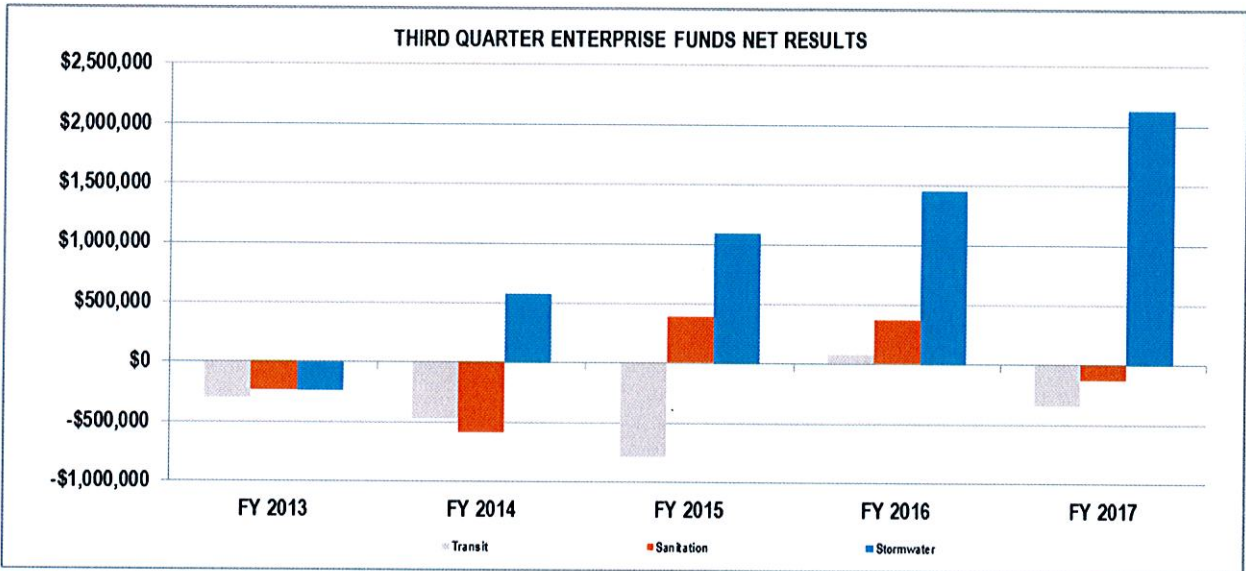
<b>FISCAL YEAR 2017 GENERAL FUND PROJECTION</b>				
	<b>2017 BUDGET</b>	<b>2017 YTD</b>	<b>2017 PROJECTION</b>	<b>VARIANCE BUDGET vs. PROJ.</b>
<b>REVENUES</b>				
PROPERTY	\$ 32,444,935	\$ 30,944,570	\$ 32,298,375	\$ (146,560)
SALES	17,831,023	11,039,672	18,356,333	525,310
UTILITIES	7,158,899	5,137,022	6,959,663	(199,236)
MOTOR VEHICLE INSPECTION	1,383,674	873,466	1,366,396	(17,278)
RESCUE	916,402	990,271	1,286,471	370,069
RECREATION	3,096,519	1,718,601	3,096,519	-
INVESTMENTS	1,979,690	1,258,910	1,888,350	(91,340)
GUC TRANS. IN	500,000	151,739	450,000	(50,000)
POWELL BILL	6,459,112	4,469,722	6,675,407	216,295
ALL OTHER REV.	2,220,065	2,201,441	2,201,441	(18,624)
<b>TOTAL REVENUES</b>	<b>\$ 81,842,379</b>	<b>\$ 63,923,233</b>	<b>\$ 81,204,279</b>	<b>\$ (638,100)</b>
<b>EXPENSES</b>				
PERSONNEL	\$ 50,659,031	\$ 36,187,546	\$ 49,817,259	(841,772)
OPERATING	18,260,822	11,505,546	17,112,712	(1,148,110)
CAPITAL IMPROVEMENTS	4,253,347	1,672,404	2,126,674	(2,126,673)
INDIRECT COST REIMB.	(1,432,859)	(983,684)	(1,432,859)	-
TRANSFERS	13,927,094	8,893,847	13,927,094	-
OTHER EXPENSES	500,000	500,000	500,000	-
<b>TOTAL EXPENSES</b>	<b>\$ 86,167,435</b>	<b>\$ 57,775,660</b>	<b>\$ 82,050,880</b>	<b>\$ (4,116,555)</b>
<b>REVENUES LESS EXPENSES</b>	<b>\$ (4,325,056)</b>	<b>\$ 6,147,573</b>	<b>\$ (846,601)</b>	<b>3,478,455</b>
<b>FUND BALANCE APPROPRIATED</b>	<b>4,325,056</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET</b>	<b>\$ -</b>	<b>\$ 6,147,573</b>	<b>\$ (846,601)</b>	<b>\$ 3,478,455</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 March 31, 2017, it is estimated that there will be a need for approximately \$846,601 in fund balance 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.

# Enterprise Funds



## Transit Fund:

TRANSIT FUND SUMMARY AS OF MARCH 31, 2017						
	2017	2016	\$	%	2017	% REC./
	YTD	YTD	CHANGE	CHANGE	BUDGET	SPENT
<b>REVENUES</b>						
INTERGOV'T	\$ 642,654	\$ 1,076,508	\$ (433,854)	-100%	\$ 1,584,729	41%
SALES AND SERVICES	189,371	215,053	(25,681)	-12%	380,014	50%
TRANSFERS IN	565,269	683,784	(118,515)	-17%	565,269	100%
APPRO. FUND BAL.	-	-	-	-	131,720	0%
<b>TOTAL REVENUES</b>	<b>\$ 1,397,294</b>	<b>\$ 1,975,345</b>	<b>\$ (578,050)</b>	<b>-29%</b>	<b>\$ 2,661,732</b>	<b>52%</b>
<b>EXPENSES</b>						
PERSONNEL	\$ 809,911	\$ 787,109	\$ 22,802	3%	\$ 1,099,591	74%
OPERATIONS	611,669	513,587	98,082	19%	1,041,029	59%
CAPITAL OUTLAY	212,688	597,858	(385,170)	-64%	417,112	51%
TRANSFERS	104,000	-	104,000	100%	104,000	0%
<b>TOTAL EXPENSES</b>	<b>\$ 1,738,268</b>	<b>\$ 1,898,554</b>	<b>\$ (160,286)</b>	<b>-8%</b>	<b>\$ 2,661,732</b>	<b>65%</b>
<b>NET</b>	<b>\$ (340,974)</b>	<b>\$ 76,791</b>	<b>\$ (417,765)</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 during the first half of the year, as the majority of the fund revenues are FTA and NCDOT grant reimbursement based. The revenues have decreased by 29%, year to date, due to the timing of the grant reimbursement received in 2017. Additionally, there was also a 17% decrease in the transfers to the Transit Fund for FY 2017, as a result of the estimated expenses for the current fiscal year.

Total expenses have decreased by 8% mainly due to capital with the purchase of the GTAC property in 2016.

## Sanitation Fund:

SANITATION FUND SUMMARY AS OF MARCH 31, 2017						
	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC./ SPENT
<b>REVENUES</b>						
REFUSE FEES	4,892,761	4,835,489	57,272	1%	7,481,586	65%
SALES / SERVICES	79,599	62,420	17,179	28%	93,020	86%
OTHER INCOME	67,063	67,269	(206)	<-1%	73,345	91%
BOND PROCEEDS	-	425,000	(425,000)	-100%	-	0%
APPRO. FUND BAL.	-	-	-	-	86,473	0%
<b>TOTAL REVENUES</b>	<b>\$ 5,039,423</b>	<b>\$ 5,390,178</b>	<b>\$ (350,755)</b>	<b>-7%</b>	<b>\$ 7,734,424</b>	<b>65%</b>
<b>EXPENSES</b>						
PERSONNEL	\$ 2,163,676	\$ 2,083,252	\$ 80,424	4%	\$ 3,068,112	71%
OPERATIONS	2,734,320	2,460,833	273,486	11%	4,011,492	68%
CAPITAL OUTLAY	30,210	479,164	(448,954)	-94%	234,093	13%
TRANSFERS OUT	237,816	-	237,816	100%	420,727	57%
<b>TOTAL EXPENSES</b>	<b>\$ 5,166,022</b>	<b>\$ 5,023,249</b>	<b>\$ 142,772</b>	<b>3%</b>	<b>\$ 7,734,424</b>	<b>67%</b>
<b>NET</b>	<b>\$ (126,599)</b>	<b>\$ 366,929</b>	<b>\$ (493,527)</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. In addition, 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).

Sanitation revenue decreases are largely due to the recording of the bond proceeds in the prior year for the Roll-Out Cart program. In addition, sales and services have increased due to an increase in cart and dumpster receipts. 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 MARCH 31, 2017						
	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC./ SPENT
<b>REVENUES</b>						
STORMWATER FEES	\$ 3,608,021	3,211,646	\$ 396,375	12%	5,374,886	67%
OTHER INCOME	345	782	(437)	100%	-	-
APPRO. FUND BAL.	-	-	-	-	1,272,792	0%
<b>TOTAL REVENUES</b>	<b>\$ 3,608,367</b>	<b>\$ 3,212,428</b>	<b>\$ 395,939</b>	<b>12%</b>	<b>\$ 6,647,678</b>	<b>54%</b>
<b>EXPENSES</b>						
PERSONNEL	\$ 847,352	\$ 923,018	\$ (75,666)	-8%	\$ 1,427,041	59%
OPERATIONS	264,710	369,643	(104,933)	-28%	1,261,848	21%
CAPITAL OUTLAY	-	57,097	(57,097)	-100%	542,985	0%
CAPITAL IMPROV.	58,060	106,644	(48,584)	-46%	1,709,748	3%
TRANSFERS OUT	304,542	304,542	-	0%	1,706,056	18%
<b>TOTAL EXPENSES</b>	<b>\$ 1,474,664</b>	<b>\$ 1,760,945</b>	<b>\$ (286,281)</b>	<b>-16%</b>	<b>\$ 6,647,678</b>	<b>22%</b>
<b>NET</b>	<b>\$ 2,133,703</b>	<b>\$ 1,451,483</b>	<b>\$ 682,220</b>	<b>47%</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. The current year's increase in revenue is a result of the timing of stormwater fee receipts from GUC.

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 28% in operations is due to the timing of payment for the 2006 Public Improvement Bond, which occurred in 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.