

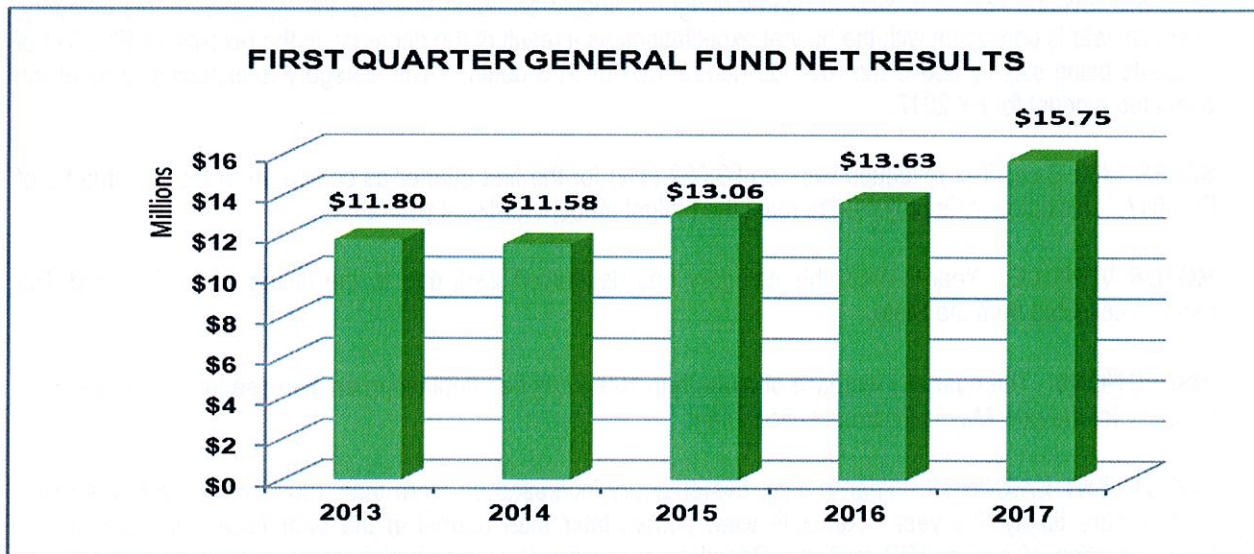
MEMORANDUM

TO: Barbara Lipscomb, City Manager
 Michael Cowin, Assistant City Manager
FROM: Bernita W. Demery, CPA, MBA, Director of Financial Services *BWD*
DATE: October 26, 2016
SUBJECT: Major Fund Financial Quarter-End Report – As of September 30, 2016

Enclosed is the financial information for the quarter ending September 30, 2016. Report data reflects three months (25%) of fiscal year (FY) 2017. Overall, the net results of revenue over expenses indicate an increase of 16% over previous year. Unexpected and/or significant variances greater than 10% will be noted. Additionally, within this report is a year-to-date budget versus actual discussion.

Summary

GENERAL FUND SUMMARY AS OF SEPTEMBER 30, 2016						
	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC./ SPENT
REVENUES	\$ 30,288,883	\$ 28,718,622	\$ 1,570,261	5%	\$84,807,351	36%
EXPENSES	\$ 14,243,987	\$ 14,897,234	\$ (653,246)	-4%	\$72,963,838	20%
TRANSFERS	\$ 299,265	\$ 193,699	\$ 105,566	55%	\$ 11,843,513	3%
NET	\$ 15,745,631	\$ 13,627,690	\$ 2,117,941	16%	0.00	



- Specific details for the year-to-date differences compared to last year are in the pages to follow.

cc: Department Heads

Revenues

GENERAL FUND REVENUE BY TYPE SUMMARY AS OF SEPTEMBER 30, 2016						
	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC/ SPENT
PROPERTY	\$21,289,023	\$21,016,877	\$ 272,146	1%	\$32,744,935	65%
SALES	1,681,592	1,611,940	69,652	4%	17,681,023	10%
UTILITIES	1,569,061	1,547,878	21,182	1%	7,158,899	22%
MOTOR VEHICLE	201,913	263,498	(61,585)	-23%	1,483,674	14%
INSPECTION	391,581	179,928	211,653	>100%	766,402	51%
RESCUE	696,020	720,993	(24,973)	-3%	3,096,519	22%
RECREATION	489,796	476,982	12,814	3%	1,979,690	25%
INVESTMENTS	206,564	90,896	115,668	>100%	400,000	52%
GUC TRANS. IN	1,555,894	1,577,916	(22,022)	-1%	6,459,112	24%
POWELL BILL	1,100,721	-	1,100,721	100%	2,220,065	50%
SUBTOTAL	29,182,164	27,486,908	1,695,256	6%	73,990,319	39%
ALL OTHER REV.	1,106,719	1,231,714	(124,995)	-10%	6,854,237	16%
APP. FUND BAL.	-	-	-	0%	3,962,795	0%
SUBTOTAL	1,106,719	1,231,714	(124,995)	-10%	10,817,032	10%
TOTAL	\$30,288,883	\$28,718,622	\$ 1,570,261	5%	\$84,807,351	36%

Year-to-date, Revenues have increased 5%, year-to date. A brief explanation of revenues with variances +/- 10% is listed below.

- PROPERTY TAX:** This category does not reach the 10% variance threshold to warrant a justification; however since this revenue source is 39% of overall budget, it should be noted that the 1% increase, in this category, over last year is consistent with the budget expectations as a result of the decrease in the tax rate for FY 2017 of 52 cents being slightly above the revenue neutral rate of 51.3 cents. This category is expected to meet the budgeted amount for FY 2017.
- SALES TAX:** Sales Tax revenues were up 69,652 (4%) for the first quarter as compared to the first quarter of FY 2017. This category is projected to meet the budget amount for fiscal year 2017.
- MOTOR VEHICLE:** Year-to-date, this category has decreased 23% due to the timing of the Tax and Tag receipts collected from the State.
- INSPECTIONS:** The quarterly increase of more than 100% can be attributed to an increase in permits issued in FY 2017 for the new Mayne Pharmaceutical Plant.
- INVESTMENT EARNINGS:** Year-to-date, this category increased by more than 100%, due to receipts being posted more timely this year. Receipts were posted later than normal in the prior fiscal year, due to the implementation of a new ERP system. Based on the variance in the market each month, fluctuations from month to month will vary. Projections for this source are maintained at budget for this fiscal year.
- POWELL BILL:** The increase of 100% for the quarter is due to the timing of receiving the first Powell Bill allocation for the year.

- **OTHER REVENUE:** There is a decline for the quarter in Other Revenue of 10% due to the timing of collection for police department school resource officer services in FY 2016.

Expenses

GENERAL FUND EXPENSE BY DEPARTMENT SUMMARY AS OF SEPTEMBER 30, 2016						
	2017	2016	\$	%	2017	% REC/
	YTD	YTD	CHANGE	CHANGE	BUDGET	SPENT
PERSONNEL	\$ 10,779,687	\$ 10,219,862	\$ 559,825	5%	\$ 50,886,609	21%
OPERATIONS	3,131,083	4,233,792	(1,102,709)	-26%	16,827,500	19%
CAPITAL OUTLAY	-	-	-	0%	78,518	0%
CAPITAL IMPROVEMENTS	333,218	443,580	(110,362)	-25%	5,171,211	6%
TOTAL	\$ 14,243,987	\$ 14,897,234	\$ (653,246)	-4%	\$ 72,963,838	20%

Expenses have decreased 4%, year-to-date. Personnel expenses have increased 5% compared to prior year. This increase is primarily the result of the 2% COLA increase implemented in FY 2017 and the filling of vacant positions. The other categories (Operations, Capital Outlay, and etc.) fluctuate year to year due to the timing of payment for various items. A brief explanation is provided below:

- **OPERATIONS:** Operating expenses have decreased 26%, year-to-date. This is due to the timing of payments in several areas of operations, such as commercial labor, street lighting, contracted services, and computer hardware.
- **CAPITAL IMPROVEMENTS:** Capital Improvements decreased by 25%, year-to-date, due to decreased capital spending, particularly for the Storage Area Network project that occurred in FY 2016, but no spending recorded in FY 2017.

Expenses Continued

GENERAL FUND EXPENSE BY DEPARTMENT SUMMARY AS OF SEPTEMBER 30, 2016						
EXPENSES	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC/ SPENT
MAYOR & COUNCIL	\$ 91,599	\$ 160,876	\$ (69,277)	-43%	\$ 379,078	24%
CITY MANAGER	506,323	203,163	303,159	>100%	2,642,519	19%
CITY CLERK	49,070	63,263	(14,193)	-22%	244,879	20%
CITY ATTORNEY	110,600	99,717	10,883	11%	455,059	24%
HUMAN RESOURCES	633,118	779,564	(146,447)	-19%	2,796,037	23%
INFORMATION TECH.	652,970	765,725	(112,754)	-15%	3,226,479	20%
FIRE/RESCUE	2,927,673	2,815,183	112,491	4%	14,351,711	20%
FINANCIAL SVCS.	699,798	775,158	(75,359)	-10%	2,487,958	28%
CONTINGENCY	-	-	-	0%	150,000	0%
OPEB CONTRIBUTION	-	-	-	0%	500,000	0%
POLICE	5,085,663	5,017,612	68,051	1%	23,540,227	22%
RECREATION & PARKS	1,705,373	1,892,279	(186,906)	-10%	9,684,177	18%
PUBLIC WORKS	1,606,398	2,028,002	(421,604)	-21%	11,189,851	14%
COMM. DEVELOPMENT	503,296	617,335	(114,038)	-18%	2,748,722	18%
INDIRECT COST	(327,895)	(320,642)	(7,252)	2%	(1,432,859)	23%
TOTAL	\$ 14,243,987	\$ 14,897,234	\$ (653,246)	-4%	\$ 72,963,838	20%

Overall, department spending fell within the expected limit as a percentage of budgets. Total department expenses have decreased by 4%, year-to-date. Departmental variances greater than +/- 10% are noted below:

- **MAYOR AND CITY COUNCIL:** The 43% decrease, year-to-date, is due to the timing of various dues and subscriptions charges occurring in 2016.
- **CITY MANAGER:** The year-to-date increase more than 100% is due to additional expenses incurred in FY 2017 from the addition of the Economic Development and Budget and Evaluation Divisions to the Department.
- **CITY CLERK:** The year-to-date decrease of 22% is due to the timing of computer software charges in FY 2016 that did not occur in FY 2017.
- **CITY ATTORNEY:** The year-to-date increase of 11% is due to increased salary expenses in the quarter as a result of the vacation payout for a department retirement occurring in FY 2017.
- **HUMAN RESOURCES:** The 19% decrease, year-to-date, is due to a change in the process for worker's comp premium and loss payments as well as the timing for those payments in FY 2016. Additionally, the decrease is due to fees associated with the performance management study occurring in FY 2016.
- **FINANCIAL SERVICES:** The year-to-date decrease of 10% is due decreased staffing levels within the department during the current fiscal year, as well as the timing of contracted service payments for audit fees occurring in FY 2016.
- **INFORMATION TECHNOLOGY:** The 15% decrease, year-to-date, is due to capital expenses associated with the Storage Area Network project in FY 2016.
- **RECREATION AND PARKS:** The year-to-date decrease of 10% is due to the timing of commercial labor charges in FY 2016 compared to FY 2017.

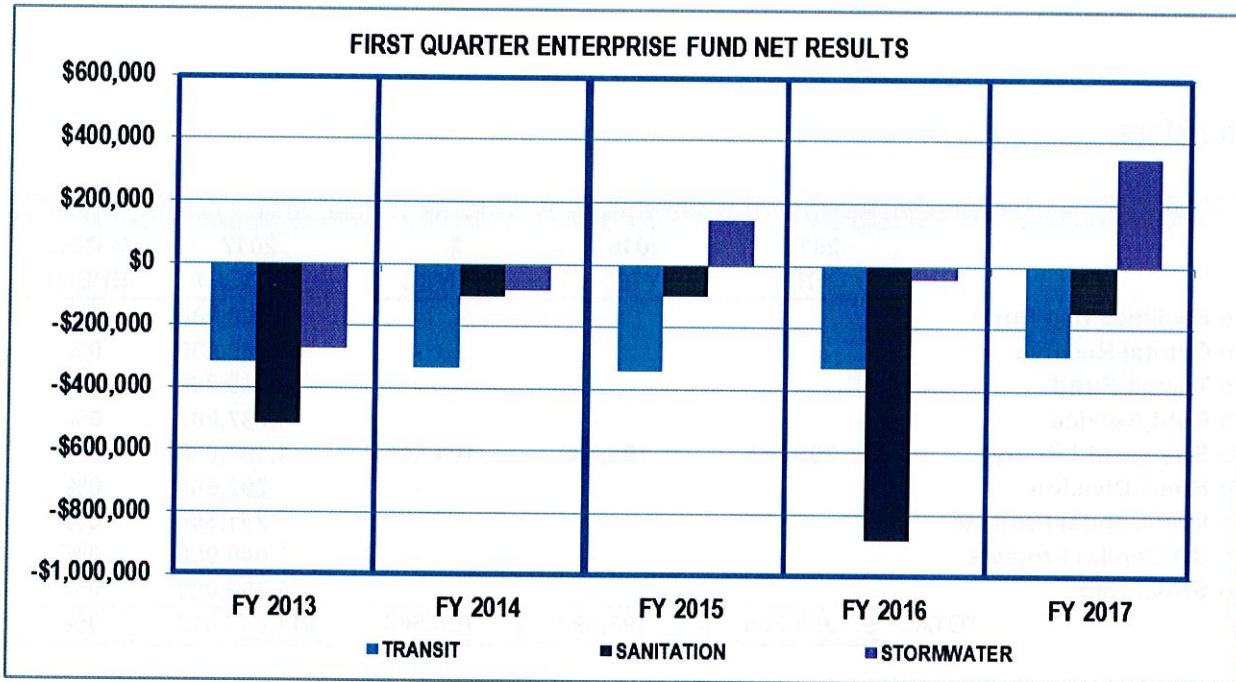
- **PUBLIC WORKS:** The year-to-date decrease of 21% is due to the timing of various maintenance charges within the department as well as the timing of street lighting utility payments to GUC.
- **COMMUNITY DEVELOPMENT:** The year-to-date decrease of 18% is due to the Economic Development Division moving to the City Manager's Office. This is related to some of the changes in the City Manager's Office variances.

Transfers

GENERAL FUNDS TRANSFERS AS OF SEPTEMBER 30, 2016					
	2017	2016	\$	2017	% REC/
	YTD	YTD	CHANGE	BUDGET	SPENT
To Facilities Imp Fund	-	-	-	1,590,000	0%
To Capital Reserve	-	-	-	460,000	0%
To Transit Fund	-	-	-	565,269	0%
To Debt Service	-	-	-	4,737,002	0%
To Sheppard Library	299,265	193,699	105,566	1,197,058	25%
To Home Division	-	-	-	292,684	0%
To R&P Capital Projects	-	-	-	261,500	0%
To CD Capital Projects	-	-	-	1,040,000	0%
To Street Imp	-	-	-	1,700,000	0%
TOTAL	\$ 299,265	\$ 193,699	\$ 105,566	\$11,843,513	3%

- **TRANSFERS:** The year-to-date increase in transfers is due to the timing of the Sheppard Memorial Library transfer in FY 2017 and the budgeted increase that was approved as part of the budget for FY 2017. The total budgeted transfers are expected to be completed during the fiscal year.

Enterprise Funds



Transit

TRANSIT FUND SUMMARY AS OF NOVEMBER 30, 2016						
	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC./ SPENT
REVENUES						
INTERGOV'T	\$ -	\$ -	\$ -	-	\$ 1,584,729	0%
SALES AND SERVICES	61,553	73,306	(11,754)	-16%	380,014	16%
TRANSFERS IN	-	-	-	-	565,269	0%
APPRO. FUND BAL.	-	-	-	-	27,720	0%
TOTAL REVENUES	\$ 61,553	\$ 73,306	\$ (11,754)	-16%	\$2,557,732	2%
EXPENSES						
PERSONNEL	\$ 229,273	\$ 211,197	\$ 18,076	9%	\$ 1,099,591	21%
OPERATIONS	91,962	98,539	(6,577)	-7%	1,041,029	9%
CAPITAL OUTLAY	26,400	92,389	(65,989)	-71%	417,112	6%
TOTAL EXPENSES	\$ 347,635	\$ 402,124	\$ (54,489)	-14%	\$2,557,732	14%
NET	\$ (286,083)	\$ (328,818)	\$ 42,736	-13%		

The year-to-date net loss of the Transit fund has decreased by 13% when compared to prior year results. The Transit fund normally has a negative net result during this time of year, as the majority of the fund revenues are FTA and NCDOT grant reimbursement based. However, the fund is projected to meet budget for both revenues and expenses based on the percentage spent year-to-date.

- **SALES & SERVICES:** The 16% decrease in sales and services, year-to-date, is due to decreased ticket sales and bus fares in FY 2017.
- **CAPITAL:** The year-to-date decrease of 71% in Capital Outlay is due to the overpayment of ADA Services in FY 2016, resulting in a refund recorded in FY 2017. Due to the timing of the payment made to Pitt County for these services, an additional monthly payment was made and reimbursed in FY 2016, resulting in the overpayment correction in FY 2017.

Sanitation

SANITATION FUND SUMMARY AS OF NOVEMBER 30, 2016						
	2017	2016	\$	%	2017	% REC./
	YTD	YTD	CHANGE	CHANGE	BUDGET	SPENT
REVENUES						
REFUSE FEES	1,103,964	537,776	566,187	>100%	7,481,586	15%
SALES / SERVICES	43,731	24,563	19,168	78%	93,020	47%
OTHER INCOME	29,483	16,699	12,783	77%	73,345	40%
APPRO. FUND BAL.	-	-	-	-	86,473	0%
TOTAL REVENUES	\$ 1,177,177	\$ 579,038	\$ 598,139	>100%	\$ 7,734,424	15%
EXPENSES						
PERSONNEL	\$ 622,050	\$ 634,905	\$ (12,856)	-2%	\$ 3,068,112	20%
OPERATIONS	703,379	822,779	(119,399)	-15%	4,011,492	18%
CAPITAL IMPROV.	-	-	-	-	234,093	0%
TRANSFERS OUT	-	-	-	-	420,727	0%
TOTAL EXPENSES	\$ 1,325,429	\$ 1,457,684	\$ (132,255)	-9%	\$ 7,734,424	17%
	\$ (148,252)	\$ (878,646)	\$ 730,394	-83%		

The net for this fund has continued to improve since the onset of Sanitation's 5-Year plan. Please note specific variances listed below.

- **REFUSE FEES:** Year-to-date, Refuse Fees have increased more than 100%, due to the timing of the refuse fees being recorded and an entry being incorrectly booked in FY 16 to reverse FY 2015 fees that were not recorded in FY 2016.
- **SALES AND SERVICES:** The 78% increase is due to an increase in Cart and Dumpster receipts. Receipts were down last fiscal year due to the adoption of increased rates, causing many citizens to convert from backyard to curbside service, but have recovered in FY 2017.
- **OTHER INCOME:** The 77% increase, year-to-date, for other income is due to the timing of the solid waste tax collection in FY 2017.
- **OPERATIONS:** The year-to-date decrease of 15% is due to the timing of various operational expenses, such as vehicle maintenance and cart maintenance, as well as a modification of the sanitation cart principle payment for the first quarter.

Stormwater

STORMWATER FUND SUMMARY AS OF SEPTEMBER 30, 2016						
	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC./ SPENT
REVENUES						
STORMWATER FEES	\$ 852,730	414,936	\$ 437,794	>100%	5,374,886	49%
APPRO. FUND BAL.	-	-	-	-	578,577	0%
TOTAL REVENUES	\$ 852,730	\$ 414,936	\$ 437,794	>100%	\$ 5,953,463	14%
EXPENSES						
PERSONNEL	\$ 258,594	\$ 278,495	\$ (19,901)	-7%	\$ 1,427,041	18%
OPERATIONS	98,189	76,272	21,918	29%	1,218,418	8%
CAPITAL OUTLAY	-	-	-	-	295,000	0%
CAPITAL IMPROV.	50,210	-	50,210	100%	1,263,518	4%
TRANSFERS OUT	101,514	101,514	-	-	1,749,486	6%
TOTAL EXPENSES	\$ 508,507	\$ 456,281	\$ 52,227	11%	\$ 5,953,463	9%
NET	\$ 344,223	\$ (41,345)	\$ 385,567	>100%		

- **REVENUES:** This fund has experienced an improvement in net results based on a seven year plan. This operation has implemented an annual fee increase in an effort to allow the fund to cover future expenses. The current year's increase in revenues is a result of the timing of the receipt of the stormwater fees from GUC.
- **EXPENSES:** Stormwater expenses vary largely according to the amount of Stormwater maintenance activity and timing of capital projects. Operating expenses fluctuate based on timing differences of when items are paid. The year-to-date increase of 29% for operations is due to the timing of fleet charges in FY 2016. The 100% increase in Capital Improvements is due to timing of capital expenses in FY 2017.