

MEMORANDUM

TO: Barbara Lipscomb, City Manager
 Michael Cowin, Assistant City Manager
FROM: Bernita W. Demery, CPA, MBA, Director of Financial Services
DATE: June 27, 2017
SUBJECT: Major Fund Financial Month-End Report – As of June 25, 2017



This is a financial snapshot for the year to date net results as of June 25, 2017. The current period represents the fiscal year through the current date, approximately 99% of fiscal year 2017. The results show a comparison of the year-to-date through June 25, 2017 to 2016 fiscal year end 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 through June 25, 2017 on a year to date basis:

GENERAL FUND SUMMARY AS OF JUNE 25, 2017						
	2017 YTD	FY 2016 06/30/16	\$ CHANGE	% CHANGE	2017 BUDGET	% REC./ SPENT
REVENUES	\$ 77,593,303	\$ 78,093,000	\$ (499,697)	-1%	\$ 86,785,592	89%
EXPENSES	\$ 63,433,537	\$ 66,778,624	\$ (3,345,087)	-5%	\$ 72,640,384	87%
TRANSFERS	\$ 13,621,776	\$ 11,116,896	\$ 2,504,881	23%	\$ 14,145,207	96%
NET	\$ 537,990	\$ 197,480	\$ 340,510	>100%	-	

For the current year through June 25, 2017, the net result increased more than 100% compared to the 2016 year end. This increase is due to the transfers completed in 2017, specifically the Imperial Site project transfer from the General Fund of \$1,040,000, and \$1,545,864 in transfers to the Recreation and Parks Capital Project Fund to move the Tar River Project, Town Common Project and the Westside Land Acquisition Projects to a multi-year fund.

cc: Department Heads

Revenues

Year to date revenues have decreased 1% when compared to FY 2016. A brief explanation of revenues, along with revenue variances +/- 10%, is listed below.

GENERAL FUND REVENUE BY TYPE SUMMARY AS OF JUNE 25, 2017						
	2017 YTD	FY 2016 06/30/16	\$ CHANGE	% CHANGE	2017 BUDGET	% REC/ SPENT
PROPERTY	\$32,098,653	\$31,732,123	\$ 366,531	1%	\$32,444,935	99%
SALES	15,692,063	17,289,693	(1,597,630)	-9%	17,831,023	88%
UTILITIES	6,827,761	6,949,180	(121,418)	-2%	7,158,899	95%
MOTOR VEHICLE	1,177,710	1,043,681	134,029	13%	1,383,674	85%
INSPECTION	1,339,221	658,573	680,648	>100%	916,402	146%
RESCUE	2,495,063	3,033,907	(538,844)	-18%	3,096,519	81%
RECREATION	1,788,992	1,864,658	(75,666)	-4%	1,979,690	90%
INVESTMENTS	516,525	684,666	(168,141)	-25%	500,000	103%
GUC TRANS. IN	6,600,432	7,358,265	(757,834)	-10%	6,459,112	102%
POWELL BILL	2,201,441	2,220,065	(18,623)	-1%	2,220,065	99%
SUBTOTAL	70,737,861	72,834,810	(2,096,949)	-3%	73,990,319	96%
ALL OTHER REV.	6,855,442	5,258,190	1,597,252	30%	8,463,098	81%
APP. FUND BAL.	-	-	-	0%	4,332,175	0%
SUBTOTAL	6,855,442	5,258,190	1,597,252	30%	12,795,273	54%
TOTAL	\$77,593,303	\$78,093,000	\$ (499,697)	-1%	\$86,785,592	89%

- **PROPERTY TAX:** This revenue source accounts for approximately 38% of the overall budget. The 1% 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. This category is currently lower than the 2016 fiscal year end due to the City's receipt of Sales Tax being two months after the period collected, leaving two additional Sale Tax collections in the current fiscal year. However, Sales Tax is projected to exceed the budget amount due to increased spending related to construction in the City.
- **MOTOR VEHICLE:** Motor vehicle fees have increased by 13% due to the increase from \$20 registration fee to \$30. This category is expected to slightly exceed budget for the fiscal year with the receipt of the last month of Tax and Tag Collections.
- **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 18% can be attributed to vacancies within the Collections division as well as increased processing time due to training incoming and temporary staff. Although the Division is actively working to catch up, Rescue fee revenue is expected to be under budget for the current fiscal year.

- **INVESTMENT EARNINGS:** Year to date, this category decreased by 25%, 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 10% 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 30% 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 JUNE 25, 2017						
EXPENSES	2017 YTD	FY 2016 06/30/16	\$ CHANGE	% CHANGE	2017 BUDGET	% REC/ SPENT
PERSONNEL	\$ 47,119,223	\$ 48,846,846	\$ (1,727,623)	-4%	\$ 51,456,707	92%
OPERATIONS	14,134,416	16,177,848	(2,043,431)	-13%	16,299,460	87%
CAPITAL OUTLAY	220,668	189,031	31,637	17%	792,157	28%
CAPITAL IMPROVEMENTS	1,959,230	1,564,899	394,331	25%	4,092,061	48%
TOTAL	\$ 63,433,537	\$ 66,778,624	\$ (3,345,087)	-5%	\$ 72,640,384	87%

Expenses have decreased 5%, 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.
- **OPERATIONS:** Operations have decreased 13%, year to date, due to the timing and accrual reversal of worker's compensation loss payments in FY 2016.
- **CAPITAL OUTLAY:** Capital Outlay expenses have increased 17%, year to date, due to Federal Forfeiture spending by the Police Department for various purchases in the current 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 JUNE 25, 2017						
EXPENSES	2017 YTD	FY 2016 06/30/16	\$ CHANGE	% CHANGE	2017 BUDGET	% REC/ SPENT
MAYOR & COUNCIL	\$ 404,925	\$ 399,017	\$ 5,908	1%	\$ 415,809	97%
CITY MANAGER	2,294,696	1,257,271	1,037,425	>100%	2,891,373	79%
CITY CLERK	225,512	232,546	(7,034)	-3%	249,380	90%
CITY ATTORNEY	446,046	468,044	(21,999)	-5%	459,559	97%
HUMAN RESOURCES	2,126,999	3,607,855	(1,480,856)	-41%	3,522,560	60%
INFORMATION TECH.	2,882,033	3,263,760	(381,727)	-12%	3,226,667	89%
FIRE/RESCUE	13,161,774	13,630,366	(468,593)	-3%	14,334,557	92%
FINANCIAL SVCS.	2,334,626	2,490,011	(155,384)	-6%	2,499,561	93%
OPEB CONTRIBUTION	500,000	450,000	50,000	11%	500,000	100%
POLICE	22,303,091	23,551,071	(1,247,980)	-5%	24,092,899	93%
RECREATION & PARKS	7,366,108	7,644,946	(278,838)	-4%	8,217,164	90%
PUBLIC WORKS	8,365,961	8,550,344	(184,383)	-2%	10,988,199	76%
COMM. DEVELOPMENT	2,333,344	2,624,262	(290,918)	-11%	2,675,517	87%
INDIRECT COST	(1,311,578)	(1,390,869)	79,291	-6%	(1,432,859)	92%
TOTAL	\$ 63,433,537	\$ 66,778,624	\$ (3,345,087)	-5%	\$ 72,640,384	87%

Overall, departmental spending fell within the expected limit as a percentage of budgets. Total department expenses have decreased by 5%, 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 in FY 2016.
- **HUMAN RESOURCES:** The 41% 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.
- **INFORMATION TECHNOLOGY:** The 12% decrease, year to date, is due to decreased contracted services expenses in the current fiscal year.
- **COMMUNITY DEVELOPMENT:** The 11% decrease, year to date, is due to the movement of the Economic Development division to the City Manager's Office in FY 2017. While the movement of Economic Development significantly decreased expenses within Community Development, the impact was affected by the addition of the Code Enforcement division to the department.
- **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 JUNE 25, 2017					
Description	2017 YTD	FY 2016 06/30/16	\$ 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	712,963	(147,694)	565,269	100%
To Debt Service	4,729,516	4,281,286	448,230	4,809,002	98%
To Sheppard Library	1,197,058	1,162,192	34,866	1,197,058	100%
To Stormwater Fund	7,000	479	6,521	7,000	100%
To Home Division	-	235,561	(235,561)	292,684	0%
To Spec Rev Grant	268,803	69,444	199,359	268,803	100%
To R&P Capital Projects	1,876,864	331,000	1,545,864	1,999,017	94%
To Insurance Loss Reserve	-	-	-	29,108	0%
To F/R Capital Projects	-	47,780	(47,780)	-	0%
To PW Capital Projects	1,877,047	1,247,136	629,911	1,877,047	100%
To CD Capital Projects	1,040,000	-	1,040,000	1,040,000	100%
To FEMA Fund	600	-	600	600	100%
To General Fund	2,500	2,574	(74)	2,500	0%
TOTAL	\$ 13,621,776	\$ 11,116,896	\$ 2,504,881	\$ 14,145,207	96%

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, 96% 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 June 25, 2017:

GENERAL FUND REVENUE BY TYPE SUMMARY AS OF JUNE 25, 2017				
REVENUES	2017 BUDGET	2017 YTD	2017 Projection	Variance Budget vs. Proj.
PROPERTY SALES	\$ 32,444,935	\$ 32,098,653	\$ 32,355,461	\$ (89,474)
UTILITIES	17,831,023	15,692,063	18,842,604	1,011,581
MOTOR VEHICLE INSPECTION	7,158,899	6,827,761	6,827,761	(331,138)
RESCUE	1,383,674	1,177,710	1,409,681	26,007
RECREATION	916,402	1,339,221	1,355,248	438,846
INVESTMENTS	3,096,519	2,495,063	2,747,764	(348,755)
GUC TRANS. IN	1,979,690	1,788,992	1,841,805	(137,885)
POWELL BILL	500,000	516,525	441,506	(58,494)
APPROPRIATED FUND BALANCE	6,459,112	6,600,432	6,459,112	-
ALL OTHER REV.	2,220,065	2,201,441	2,201,441	(18,624)
TOTAL	86,189,618	77,593,303	81,572,204	(4,617,414)
EXPENSES				
PERSONNEL	\$ 50,659,031	\$ 47,119,223	\$ 49,106,665	\$ (1,552,366)
OPERATING	18,265,386	15,166,662	15,818,022	(2,447,364)
CAPITAL IMPROVEMENT	4,092,061	1,959,230	1,959,230	(2,132,831)
REIMBURSEMENT INDIRECT COST	(1,432,859)	(1,311,578)	(1,432,859)	-
TRANSFERS OUT	14,105,999	13,621,776	13,993,946	(112,053)
OTHER EXPENSES	500,000	500,000	500,000	-
TOTAL	86,189,618	77,055,313	79,945,004	(6,244,613)
NET	-	537,990	1,627,200	1,627,200

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 June 25, 2017, it is estimated that revenues will exceed expenses by \$1,627,200, 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.

Transit Fund:

TRANSIT FUND SUMMARY JUNE 25, 2017						
	2017 YTD	FY 2016 06/30/16	\$ CHANGE	% CHANGE	2017 BUDGET	% REC./ SPENT
REVENUES						
INTERGOV'T	\$ 1,114,341	\$ 1,642,200	\$ (527,859)	-32%	\$ 1,584,729	70%
SALES AND SERVICES	237,850	283,818	(45,968)	-16%	380,014	63%
TRANSFERS IN	565,269	712,963	(147,694)	-21%	565,269	100%
APPRO. FUND BAL.	-	-	-	-	131,720	0%
TOTAL REVENUES	\$ 1,917,461	\$2,638,981	\$ (721,520)	-27%	\$2,661,732	72%
EXPENSES						
PERSONNEL	\$ 1,071,070	\$ 1,114,245	\$ (43,175)	-4%	\$ 1,099,591	97%
OPERATIONS	785,939	667,596	118,342	18%	1,041,029	75%
CAPITAL OUTLAY	293,212	347,945	(54,732)	-16%	417,112	70%
TRANSFERS	121,752	-	121,752	100%	104,000	0%
TOTAL EXPENSES	\$ 2,271,974	\$2,129,786	\$ 142,188	7%	\$2,661,732	85%
NET	\$ (354,513)	\$ 509,195	\$ (863,708)	>(100%)		

The year to date net result in the Transit Fund decreased greater than 100%, compared to the prior year. Although Transit currently has a deficit for the current fiscal year, the fourth quarter reimbursement will be submitted .

Revenues: Transit revenues have decreased by 27%, 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 increased 7%, 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 JUNE 25, 2017						
	2017 YTD	FY 2016 06/30/16	\$ CHANGE	% CHANGE	2017 BUDGET	% REC./ SPENT
REVENUES						
REFUSE FEES	6,773,349	7,307,613	(534,264)	-7%	7,481,586	91%
SALES / SERVICES	101,570	66,866	34,704	52%	93,020	109%
OTHER INCOME	84,715	85,529	(814)	-1%	73,345	116%
APPRO. FUND BAL.	-	-	-	-	86,473	0%
TOTAL REVENUES	\$ 6,959,634	\$ 7,460,008	\$ (500,374)	-7%	\$ 7,734,424	90%
EXPENSES						
PERSONNEL	\$ 2,797,545	\$ 2,951,139	\$ (153,595)	-5%	\$ 3,068,112	91%
OPERATIONS	3,583,418	2,837,337	746,081	26%	4,011,492	89%
CAPITAL OUTLAY	30,210	326,401	(296,191)	-91%	234,093	13%
TRANSFERS OUT	273,436	58,942	214,494	100%	420,727	65%
TOTAL EXPENSES	\$ 6,684,608	\$ 6,173,819	\$ 510,789	8%	\$ 7,734,424	86%
NET	\$ 275,026	\$ 1,286,189	\$ (1,011,163)	>(100%)		

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 timing of the final month's collections being recorded for the current fiscal year. 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 JUNE 25, 2017						
	2017 YTD	FY 2016 06/30/16	\$ CHANGE	% CHANGE	2017 BUDGET	% REC./ SPENT
REVENUES						
STORMWATER FEES	\$ 5,014,686	4,932,955	\$ 81,731	2%	5,374,886	93%
OTHER INCOME	7,462	(27,742)	35,204	<(100%)	7,000	107%
APPRO. FUND BAL.	-	-	-	-	1,950,367	0%
TOTAL REVENUES	\$ 5,022,148	\$ 4,905,213	\$ 116,935	2%	\$ 7,332,253	68%
EXPENSES						
PERSONNEL	\$ 1,128,257	\$ 1,268,564	\$ (140,308)	-11%	\$ 1,434,041	79%
OPERATIONS	363,472	642,082	(278,609)	-43%	1,261,848	29%
CAPITAL OUTLAY	95,000	57,097	37,903	66%	542,985	17%
CAPITAL IMPROV.	14,060	152,055	(137,995)	-91%	1,709,748	1%
TRANSFERS OUT	406,056	406,056	-	0%	2,383,631	17%
TOTAL EXPENSES	\$ 2,006,845	\$ 2,525,855	\$ (519,010)	-21%	\$ 7,332,253	27%
NET	\$ 3,015,303	\$ 2,379,358	\$ 635,945	27%		

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 2% 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 43% 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.