

1.25.14

City Council Strategic Planning Session

Current Year Financials

(Six Month Update)

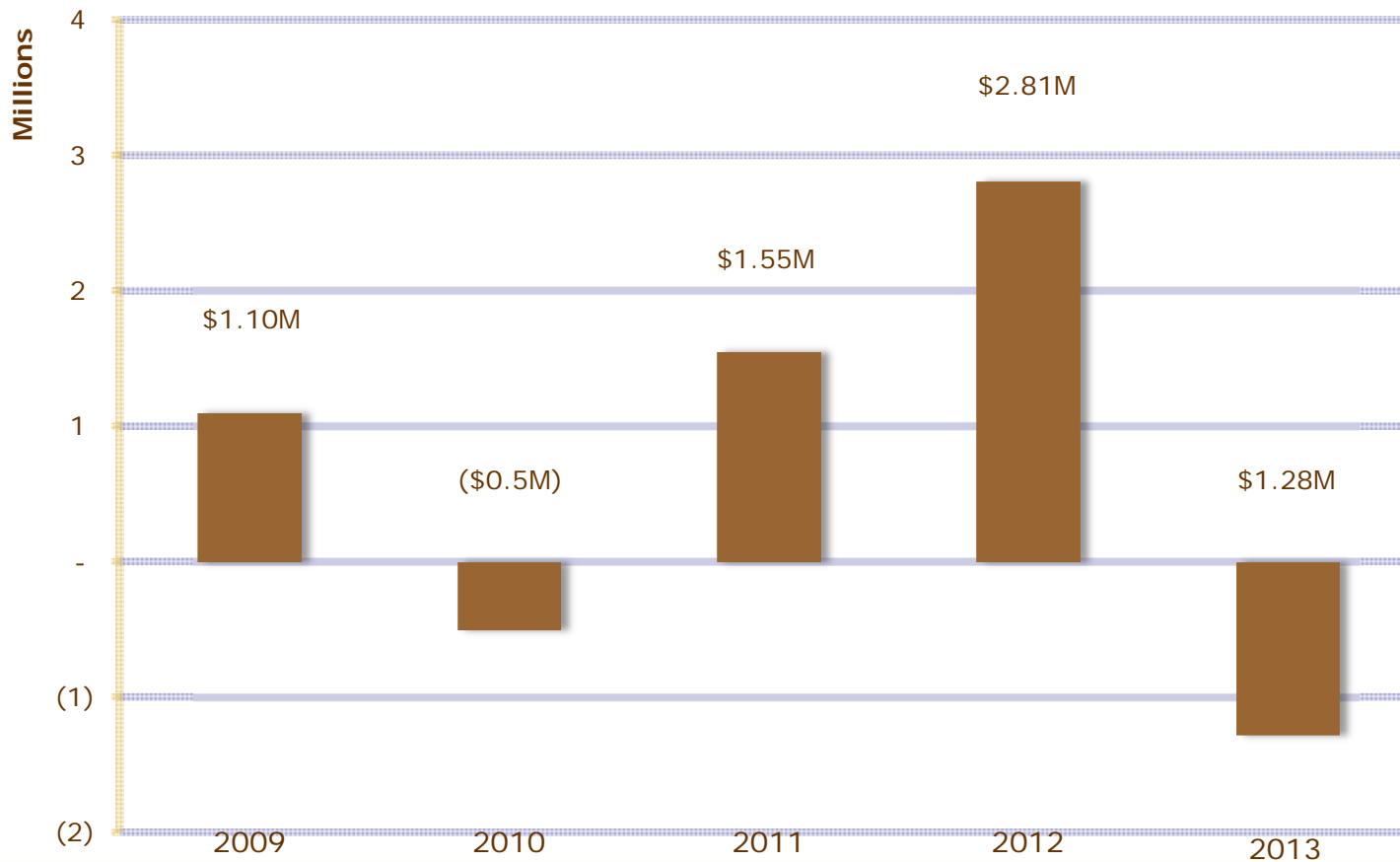
Presentation Outline

- How the City performed financially in FY13
- Current fiscal year (FY14) update
 - General Fund
 - Other Funds

FY13 General Fund Results

| | |
|----------|-----------|
| Revenues | \$70.13M |
| Expenses | \$71.41M |
| Net | (\$1.28M) |

Change in Year-End Fund Balance

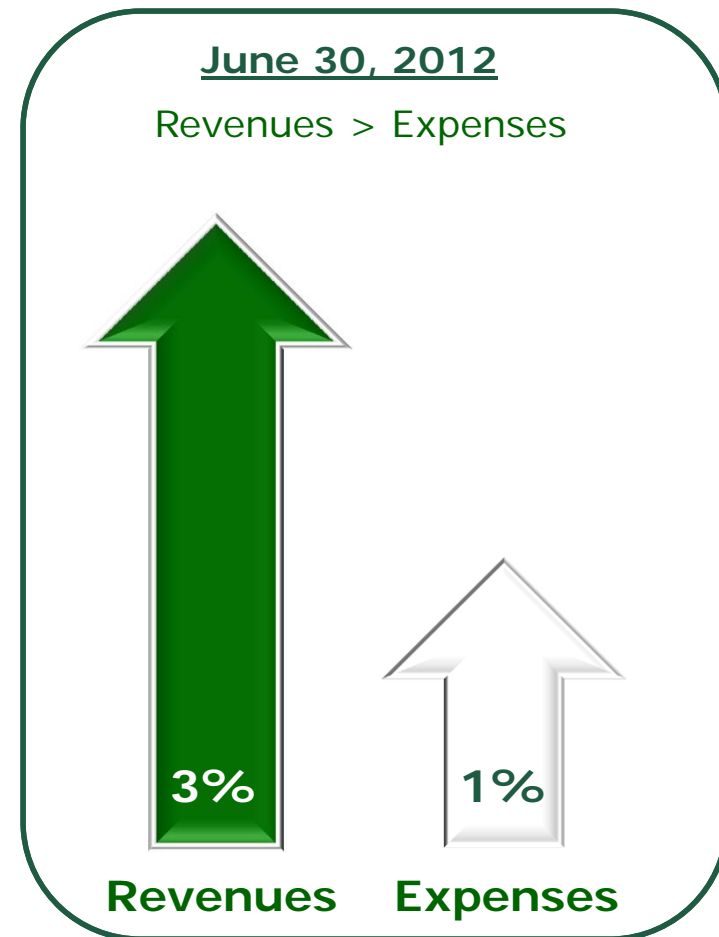
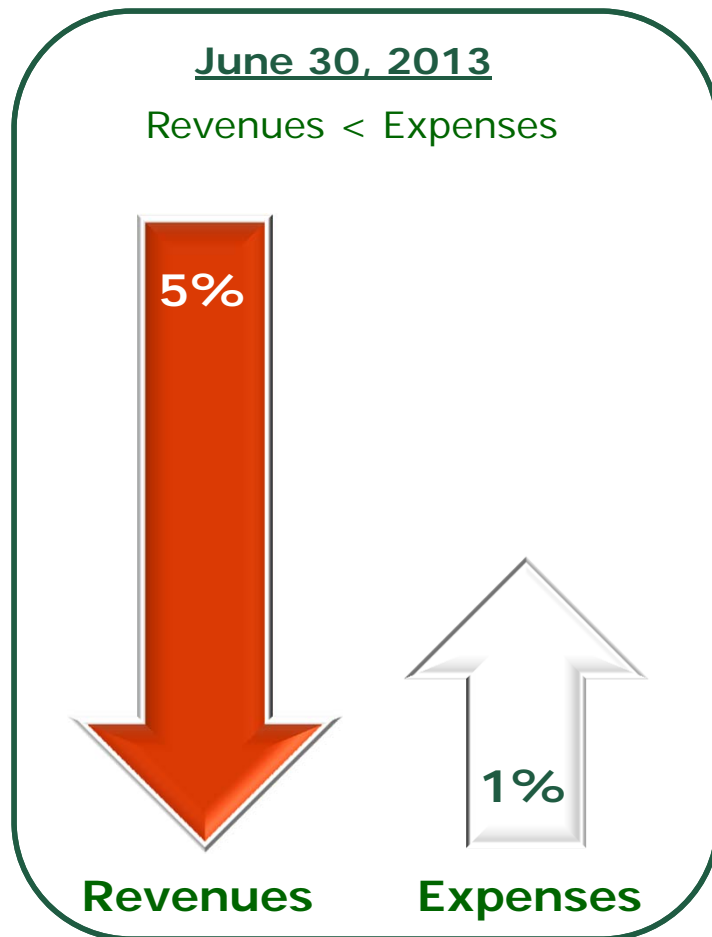


Fund Balance



* Prior Period Adjustment adds \$377K to Fund Balance

Results of Operations



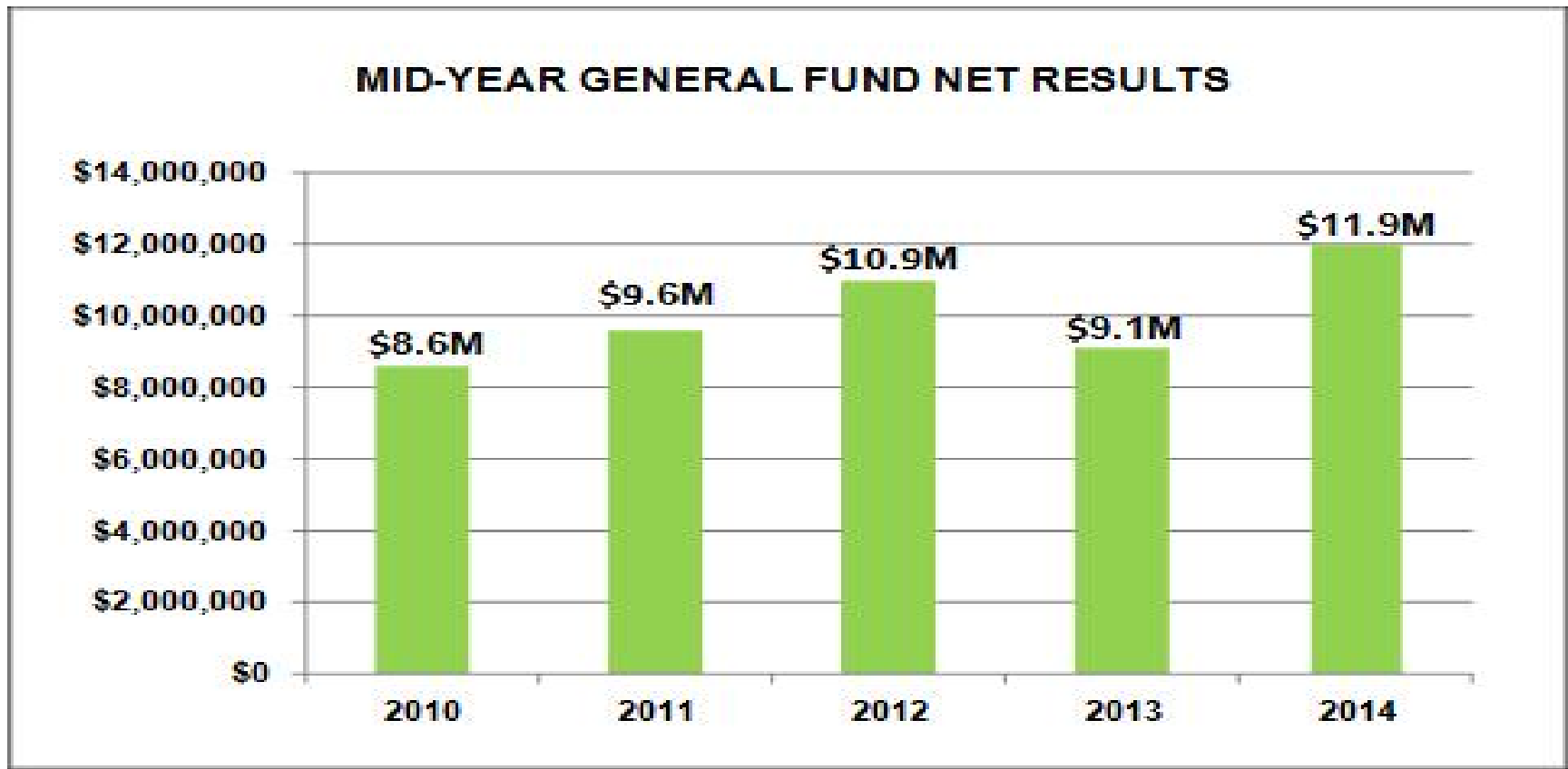
How the City Performed

- ✓ Revenues < Expenses
- ✓ Net \$1.28M decrease in Fund Balance (3%)
- ✓ City remained within 14% Unassigned Fund Balance Financial Policy

Mid-Year Results

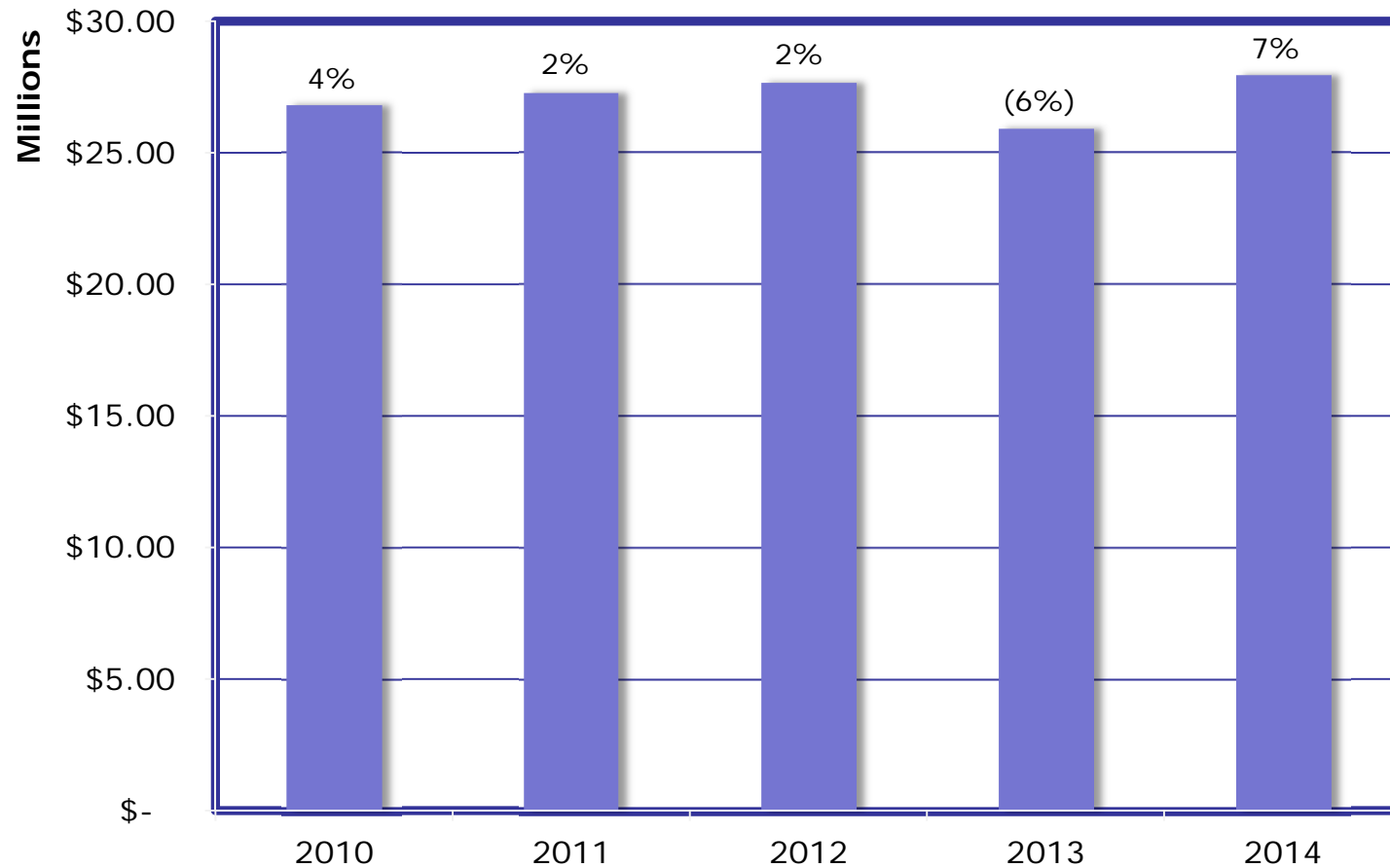
Mid-Year Update

Revenues over Expenses



Revenues

Property Tax



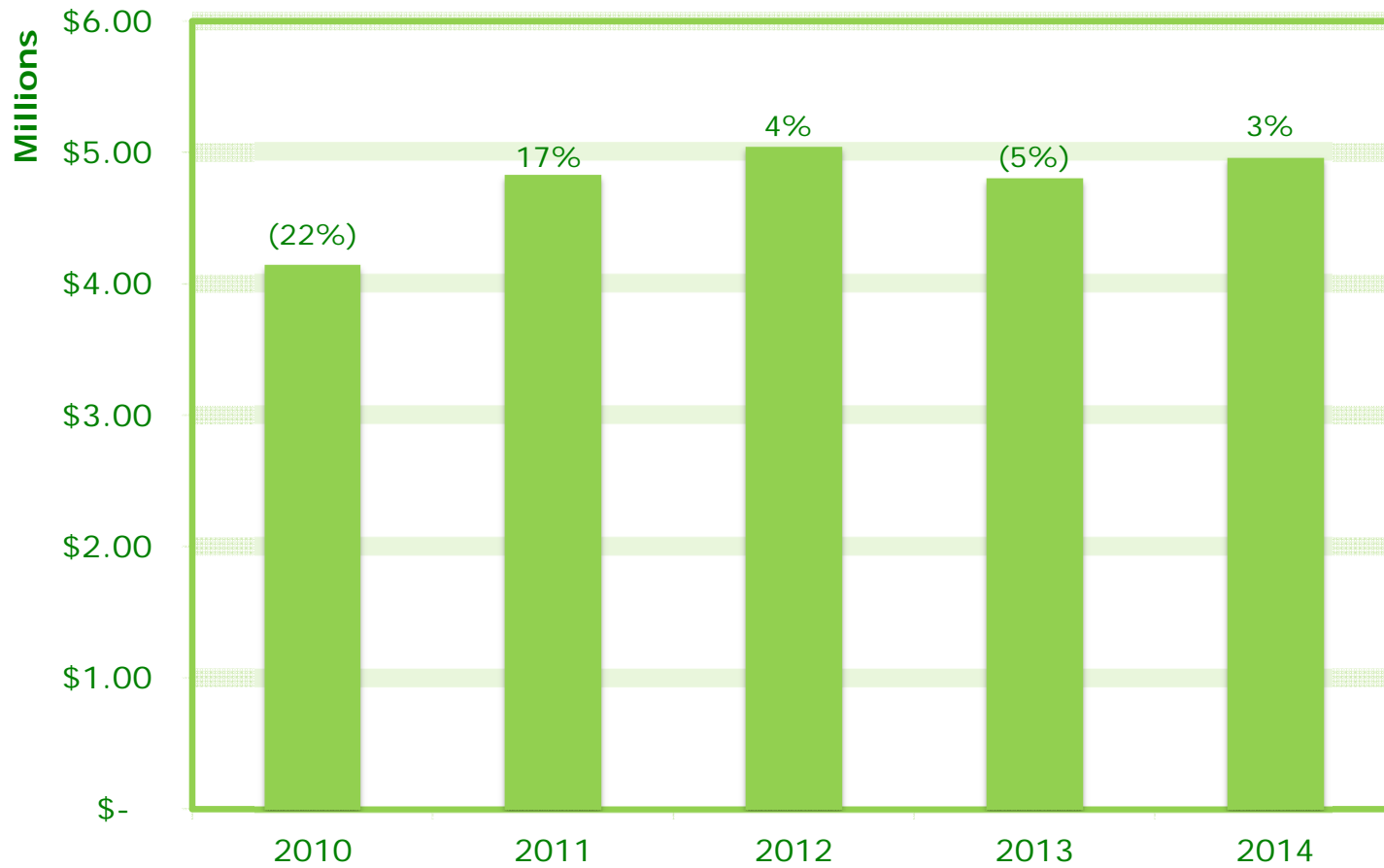
Property Tax

| FY2014 Budget | FY2014 Projection | Difference |
|------------------|----------------------|------------|
| \$ 30.7 | \$ 31.1 | \$.4 |

| 2009 Actual | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Actual |
|----------------|----------------|----------------|----------------|----------------|
| \$ 28.86 | \$ 29.71 | \$ 29.92 | \$ 30.64 | \$ 29.34 |

*Millions

Sales Tax



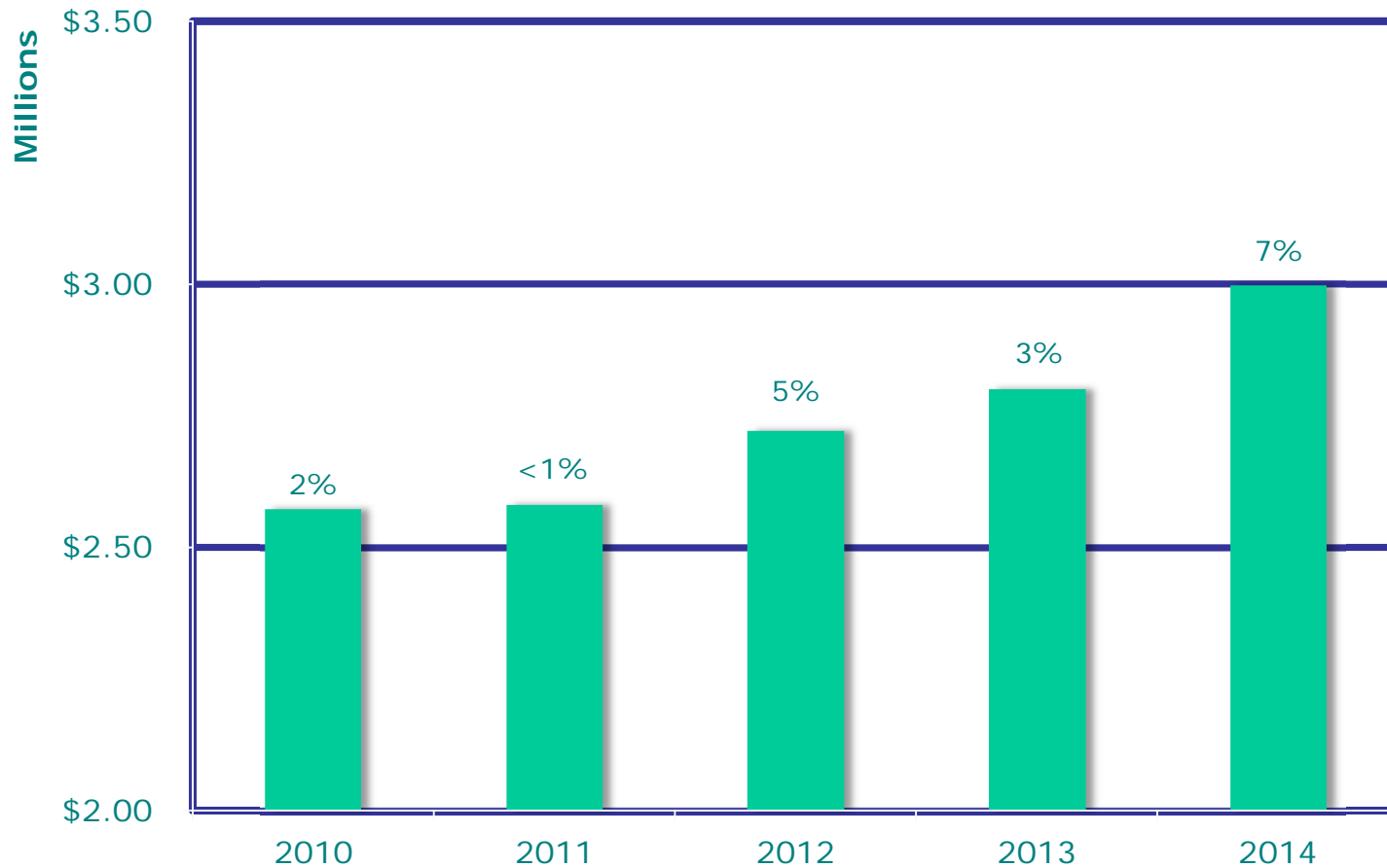
Sales Tax

| FY2014 Budget | | FY2014 Projection | | Difference | |
|------------------|-------|----------------------|-------|------------|---|
| \$ | 14.9M | \$ | 14.9M | \$ | 0 |

| 2009 Actual | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Actual |
|----------------|----------------|----------------|----------------|----------------|
| \$ 13.55 | \$ 12.98 | \$ 13.39 | \$ 14.69 | \$ 14.67 |

*Millions

GUC Transfer



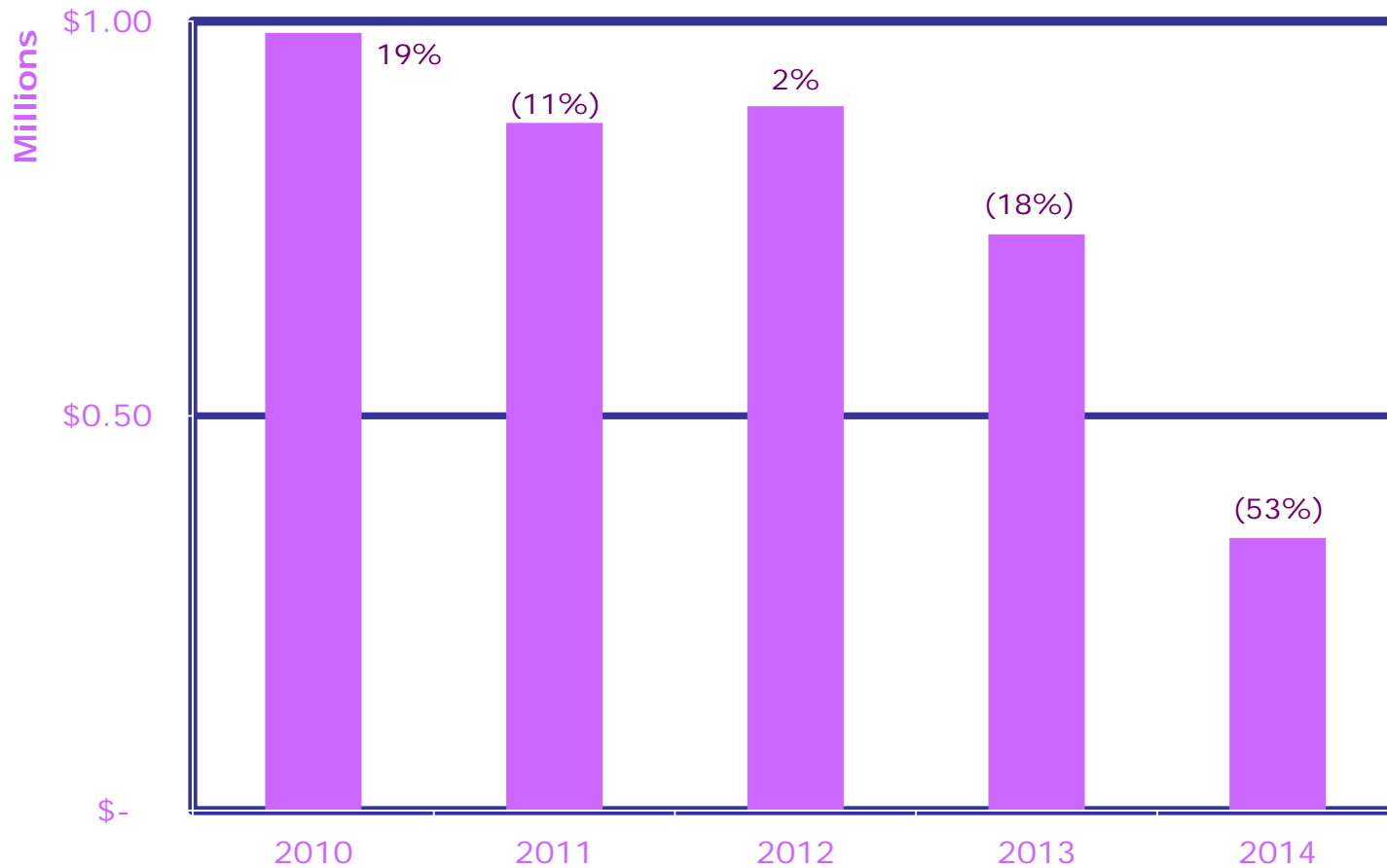
GUC Transfer

| FY2014 Budget | | FY2014 Projection | | Difference | |
|------------------|------|----------------------|------|------------|--------|
| \$ | 6.48 | \$ | 6.02 | \$ | (0.46) |

| 2009 Actual | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Actual |
|----------------|----------------|----------------|----------------|----------------|
| \$ 5.31 | \$ 5.22 | \$ 5.48 | \$ 5.76 | \$ 5.76 |

*Millions

Investment Earnings



Investment Earnings

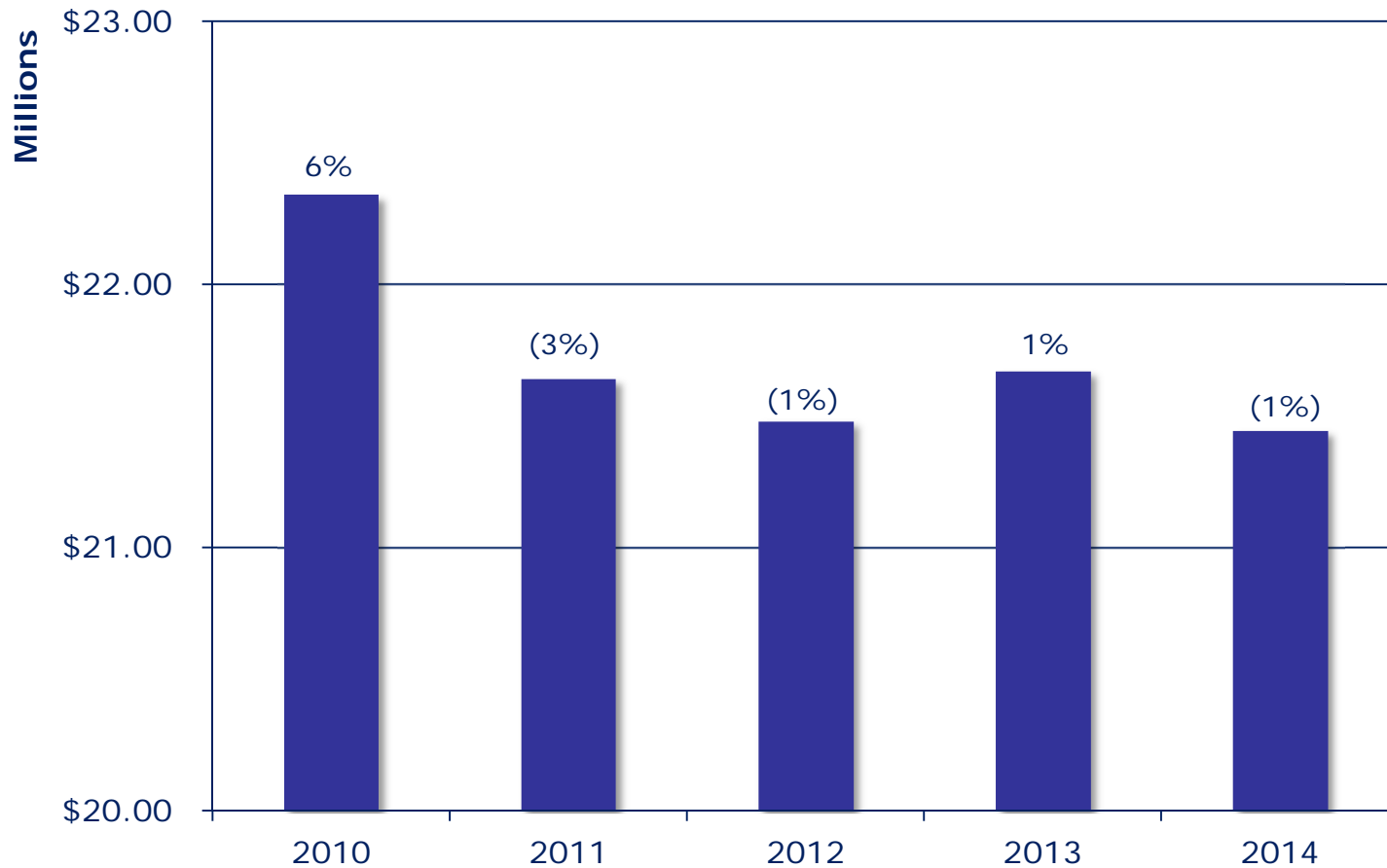
| FY2014 Budget | | FY2014 Projection | | Difference | |
|------------------|------|----------------------|-----|------------|-------|
| \$ | 1.42 | \$ | .56 | \$ | (.86) |

| 2009 Actual | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Actual |
|----------------|----------------|----------------|----------------|----------------|
| \$ 2.26 | \$ 1.43 | \$.90 | \$.95 | \$.06 |

*Millions

Expenses

Personnel



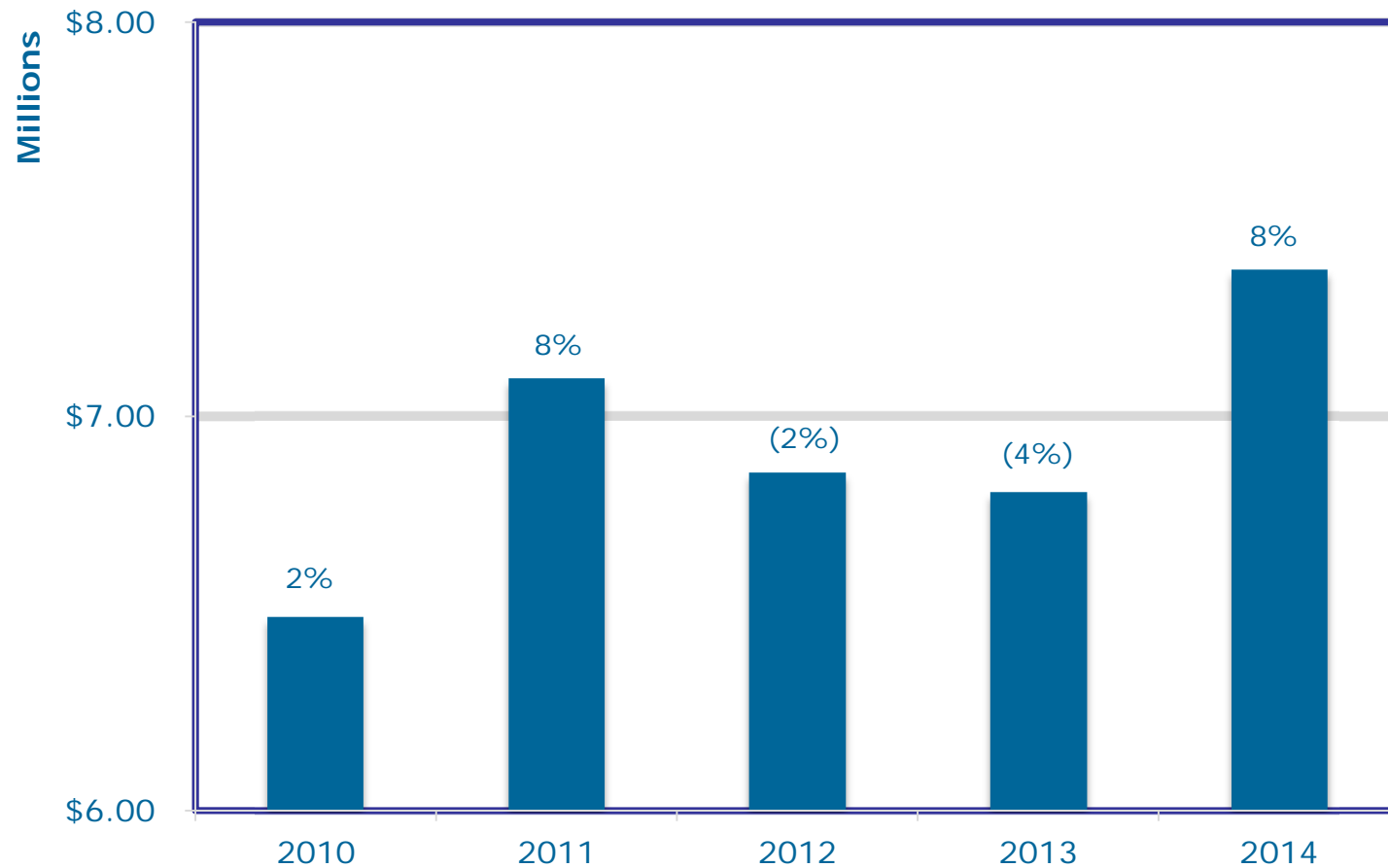
Personnel

| FY2014 Budget | | FY2014 Projection | | Difference | |
|------------------|------|----------------------|------|------------|----|
| \$ | 49.8 | \$ | 48.9 | \$ | .9 |

| 2009 Actual | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Actual |
|----------------|----------------|----------------|----------------|----------------|
| \$ 43.38 | \$ 44.23 | \$ 45.71 | \$ 46.44 | \$ 47.13 |

Millions*

Operations



Operations

| FY2014 Budget | FY2014 Projection | Difference |
|------------------|----------------------|------------|
| \$ 18.3 | \$ 15.7 | \$ 2.6 |

| 2009 Actual | 2010 Actual | 2011 Actual | 2012 Actual | 2013 Actual |
|----------------|----------------|----------------|----------------|----------------|
| \$ 14.45 | \$ 15.08 | \$ 15.16 | \$ 14.78 | \$ 14.32 |

Millions*

Appropriated Fund Balance

| | | |
|--|----|------------------|
| Street Improvements | \$ | 2,325,000 |
| Capital Improvement Carryover (for FY13) | | 2,604,861 |
| Contingency | | 200,000 |
| BANA/ERP | | 932,164 |
| South Greenville Design | | 200,000 |
| Tar River Study | | 200,000 |
| Multi-Facility Improvements | | 435,000 |
| Dickinson Avenue Land Use | | 150,000 |
| Encumbrance Carryover from prior year | | <u>2,419,111</u> |
| Total | \$ | 9,466,136 |

Major Capital Improvements

Street Improvements

Budget
\$4M

Multi-Facility Improvements

Budget
\$880K

Enterprise Resource Planning System

Budget
\$2.5M

Uptown Parking Deck

Budget
\$4M

Mid-Year Results

| | 2014 YTD | 2013 YTD | \$ Change | % Change | 2014 Budget | %Rec./ Spent |
|----------|-------------|-------------|--------------|-------------|----------------|-----------------|
| Revenues | \$ 44.27M | \$ 41.22M | \$ 3.05M | 7% | \$ 87.29M | 51% |
| Expenses | \$ 32.32M | \$ 32.13M | \$ 19K | <1% | \$ 87.29M | 37% |
| Net | \$ 11.95M | \$ 9.09M | \$ 2.86M | | | |

Mid-Year Update

- ❖ Budgeted Revenues- \$87.29 Million
- ❖ Year-to-Date \$44.27 Million Actual Revenues
- ❖ 51% of Annual Budget
- ❖ \$3 Million > December 2012 (7% increase)
 - \$1.8M of this is one-time transfer from Capital Reserve

Mid-Year Update

- ❖ Budgeted Expenses - \$87.29 Million
- ❖ Year-to-Date \$32.32 Million
- ❖ 37% of Annual Budget
- ❖ FLAT when compared to December 2012

FY14 Revenue Projection

| Revenues | Budget 2014 | YTD 2014 | Projection 2014 | Difference |
|-----------------|----------------------|----------------------|----------------------|------------------------|
| Property | \$ 30,725,377 | \$ 23,877,778 | \$ 31,067,622 | \$ 342,245 |
| Sales | 14,910,654 | 4,958,280 | 14,910,654 | - |
| Utilities | 5,650,969 | 2,734,653 | 5,650,969 | - |
| GUC Transfer In | 6,443,463 | 2,997,825 | 6,020,177 | (423,286) |
| Rescue | 3,109,570 | 1,282,325 | 3,025,000 | (84,570) |
| Recreation | 2,122,353 | 624,924 | 1,952,905 | (169,448) |
| Investments | 1,416,062 | 345,223 | 558,265 | (857,797) |
| Powell Bill | 2,190,005 | 2,215,848 | 2,215,848 | 25,843 |
| Other | 20,724,879 | 5,236,725 | 9,951,699 | (10,773,180) |
| Total | \$ 87,293,332 | \$ 44,273,581 | \$ 75,353,139 | \$ (11,940,193) |

FY14 Expense Projection

| Expenses | Budget 2014 | YTD 2014 | Projection 2014 | Difference |
|----------------|----------------------|----------------------|----------------------|-----------------------|
| Personnel | \$ 49,772,884 | \$ 21,446,048 | \$ 48,957,137 | \$ (815,747) |
| Operating | 18,326,826 | 7,372,090 | 15,700,013 | (2,626,813) |
| Capital | 7,057,812 | 1,924,771 | 4,234,687 | (2,823,125) |
| Indirect Costs | (1,014,572) | (507,286) | (1,014,572) | - |
| Trans. Out | 12,234,252 | 2,084,436 | 12,234,252 | - |
| Other | 916,130 | - | 350,000 | (566,130) |
| Total | \$ 87,293,332 | \$ 32,320,059 | \$ 80,461,517 | \$ (6,831,815) |

FY14 Net Projection

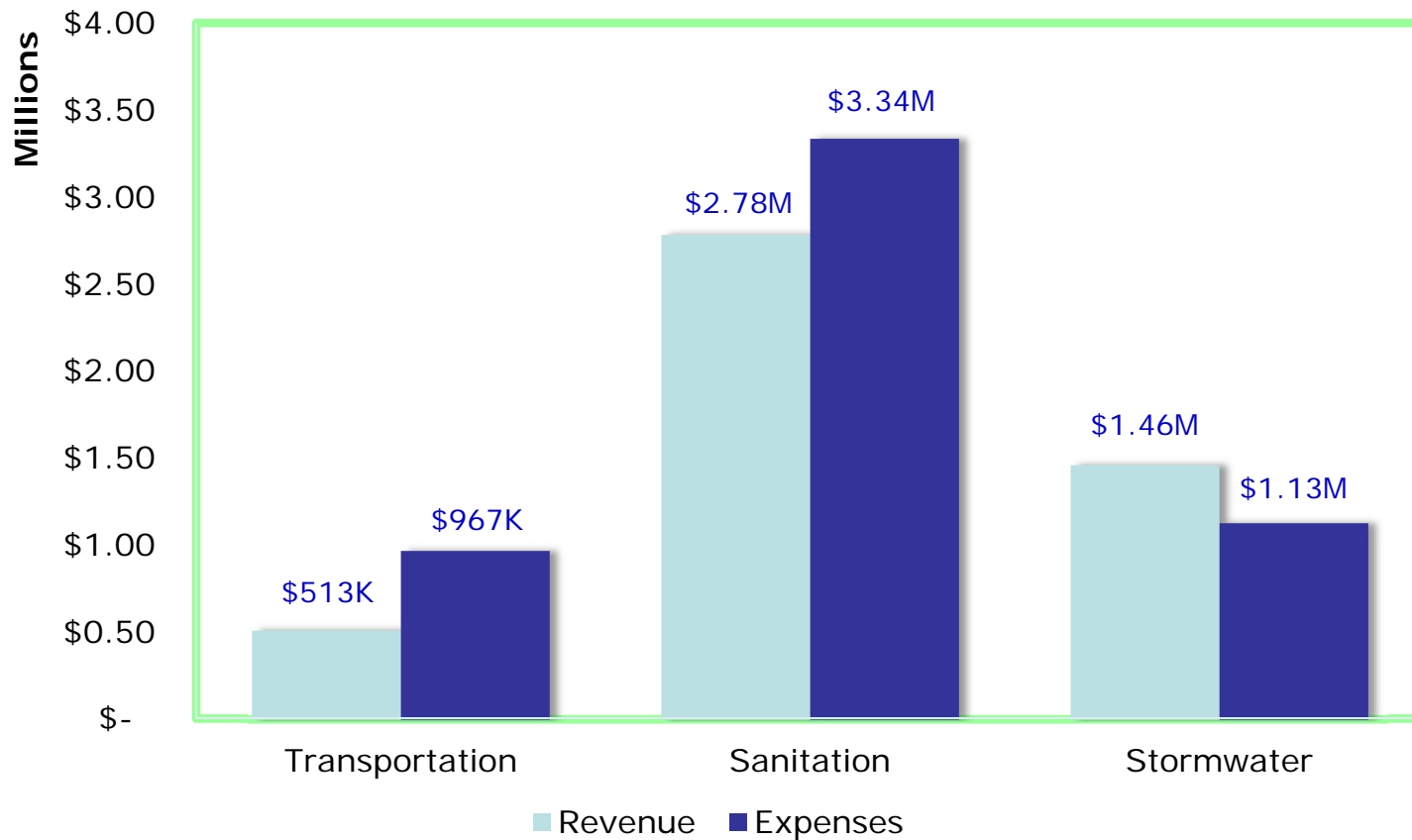
| | Budget 2014 | YTD 2014 | Projection 2014 | Difference |
|--------|------------------------|---------------------|----------------------------|-------------------|
| Net \$ | - | \$ 11,953,522 | \$ (5,108,378) | \$ (5,108,378) |

Estimated need from fund balance as of June 30, 2014. This was included in the original budget as an appropriation of fund balance

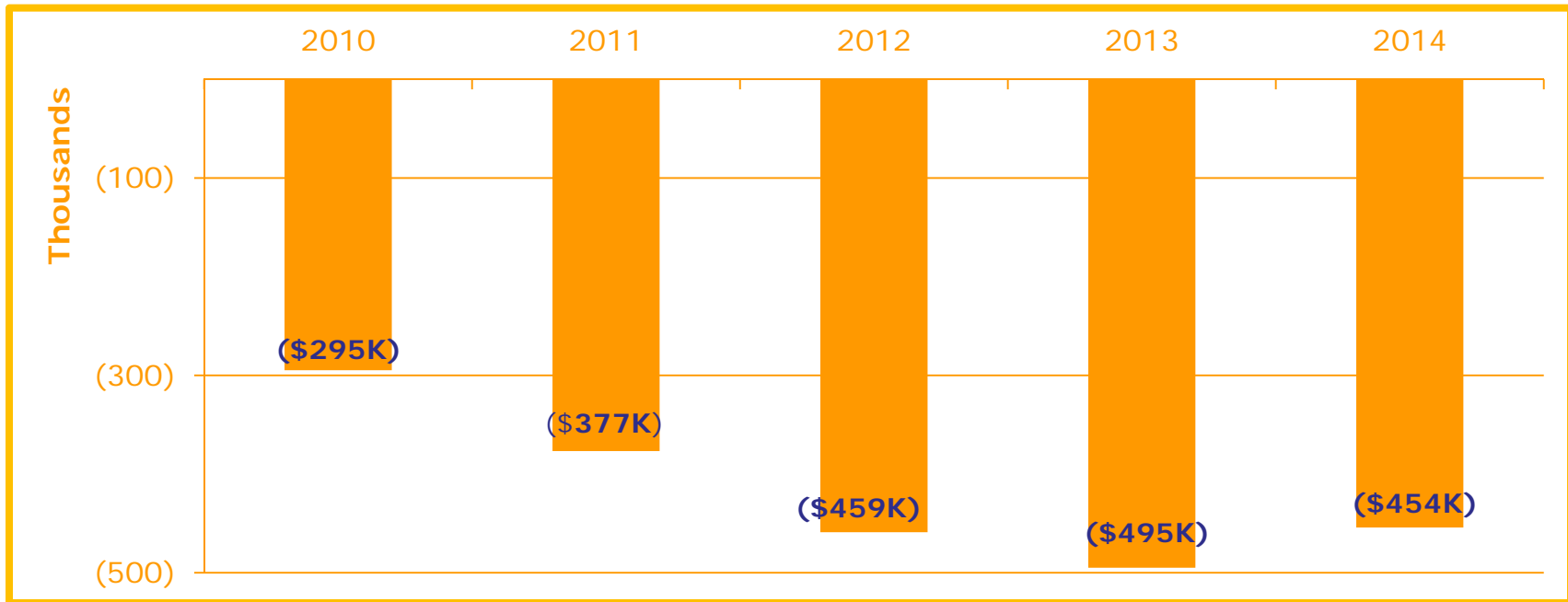
Mid-Year Recap

- ✓ Revenues over Expenses to date
- ✓ Expenses flat to prior year
- ✓ Capital Expense in line with budget
- ✓ Anticipate allocating approximately \$5.1M of Fund Balance
- ✓ Fund Balance projected to remain with the 14% city policy

Enterprise Funds Net Results

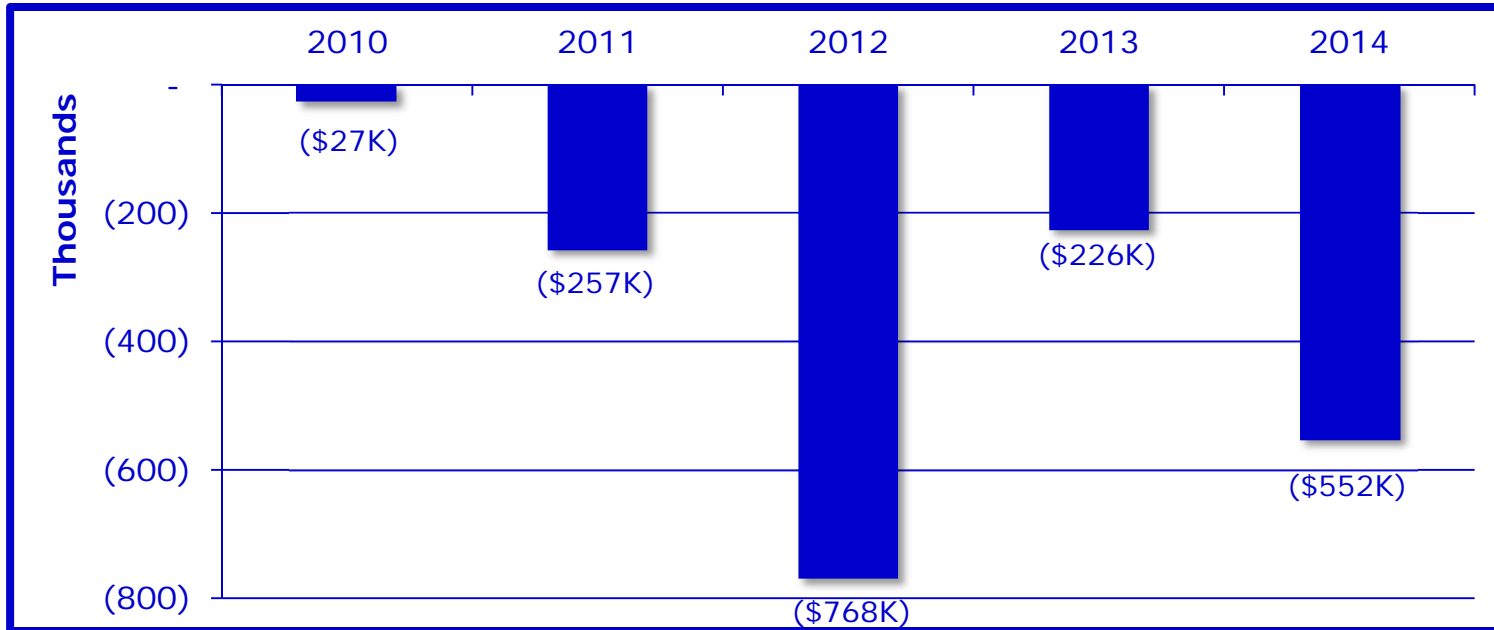


Transit Fund Net Results



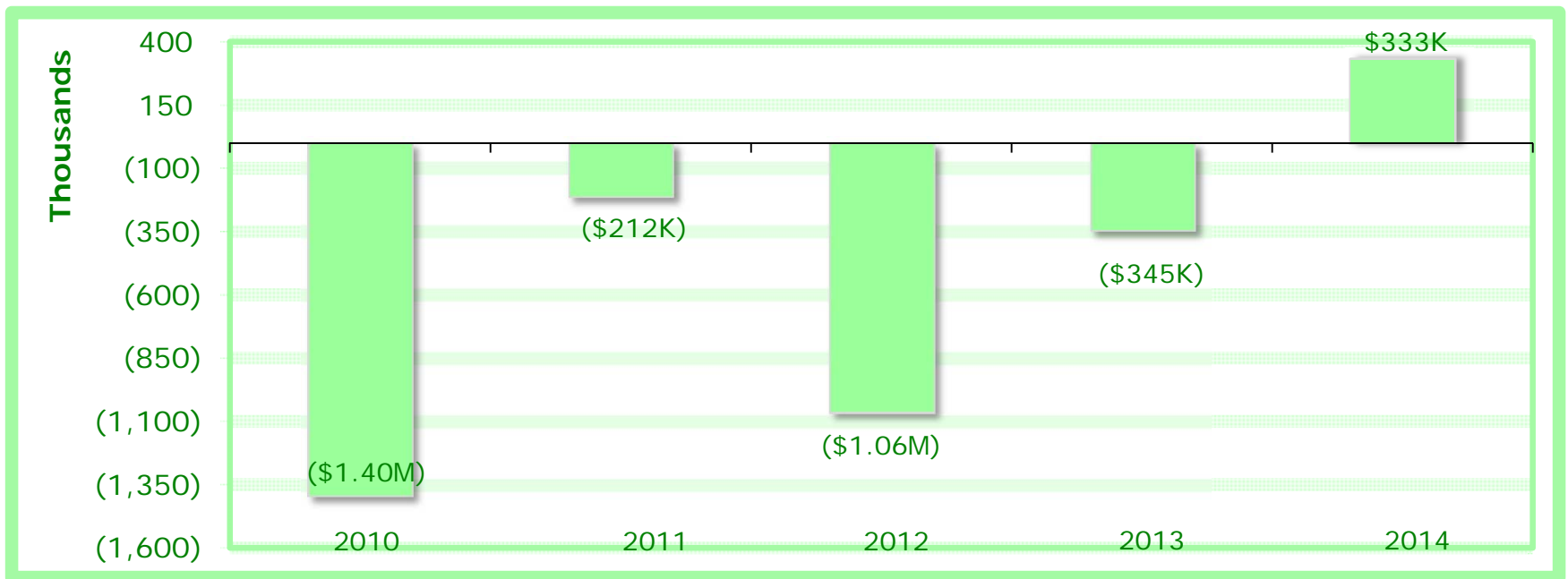
* Federal and State Funded via the Federal Transit Administration. Net results are influenced by the timing of grant reimbursement.

Sanitation Fund Net Results



* Net results consistent with prior year; however current year's deficit was anticipated based on the approved seven year plan.

Stormwater Fund Net Results



* Despite the one-month lag, net results improved during current year, due to a rate increase effective July 1, 2013.

2014 Budget Schedule

| | |
|------------------------|--|
| March 17 th | CIP Presentation to City Council |
| April 7th | City Council preview of proposed City Budget |
| May 5th | Proposed City, GUC, SML and CVA budgets presented to City Council |
| June 9th | Public Hearing - FY 2014-2015 Budget and 2015-2016 Plan |
| June 12th | Consideration of adoption of the FY 2014-2015 Budget and 2015-2016 Plan |

General Fund Financial Forecast FY 2014-2018

General Fund Forecast

- **Purpose**
- **General Assumptions**
- **Revenues**
- **Expenses**
- **Summary**

Purpose

- **Longer view of financial planning**
- **NOT Multi-Year Budget**
- **Focus on the General Fund**
- **Projections for Sanitation and Stormwater created in prior year**

General Assumptions

- Projections are for General Fund only
- Generally used historic trends and averages
- No new debt
- No tax or fee increases
- Revenues and expenses shifted for alignment
 - ✓ Aquatics and Fitness
 - ✓ Bradford Creek
 - ✓ Fleet

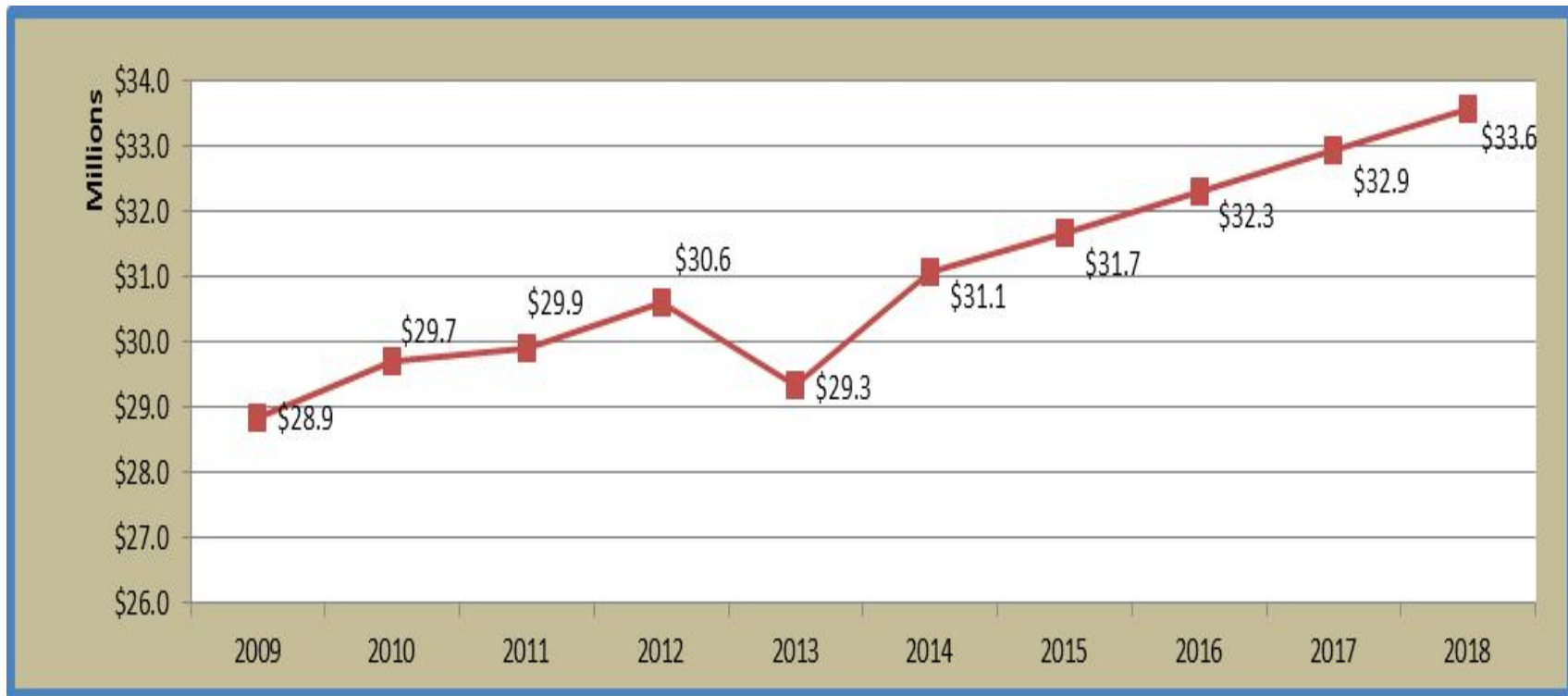
REVENUES

Top Revenue Contributors

- Ad Valorem (Property Tax)
- Sales Tax
- Utilities Franchise
- GUC Transfers In

~ 76%

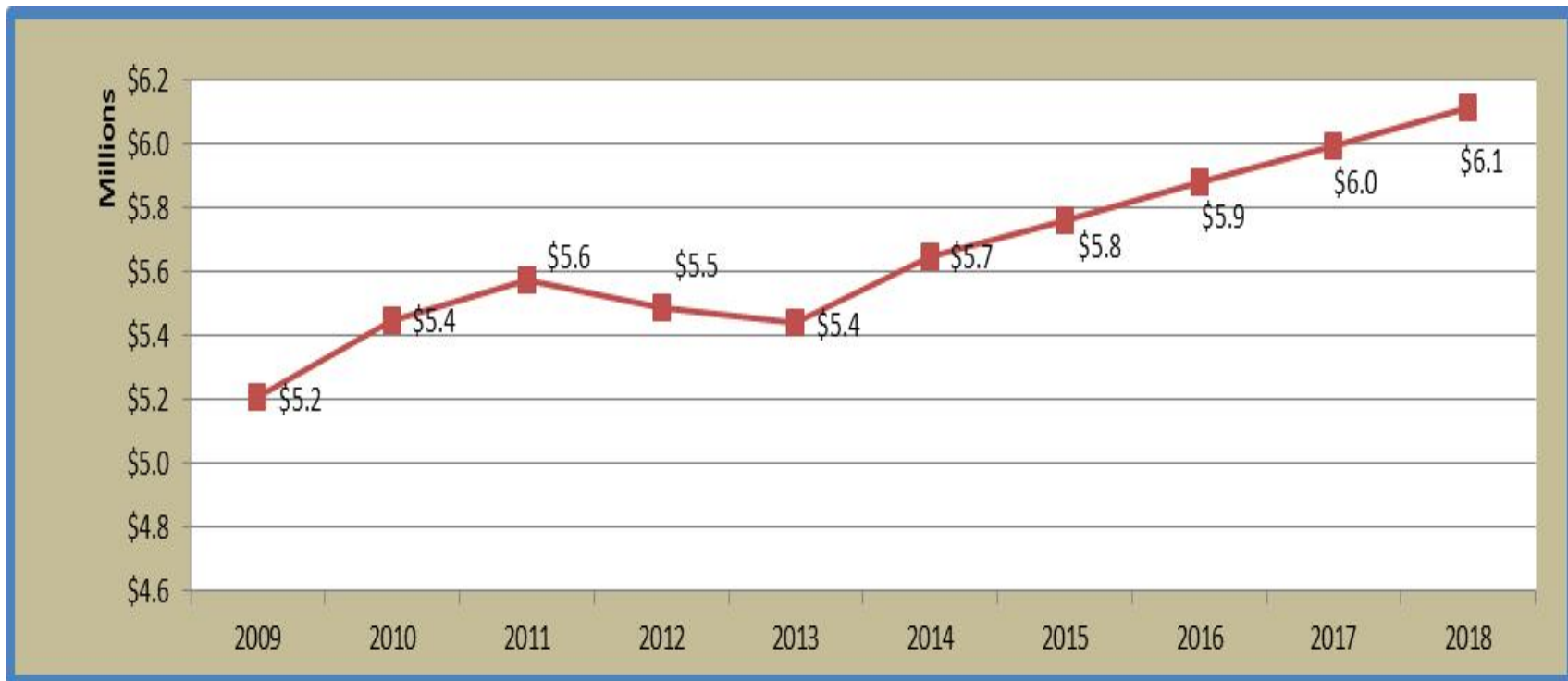
Property Tax



Sales Tax



Utilities Franchise



Find yourself in good company

GUC Transfer In



Investment Income



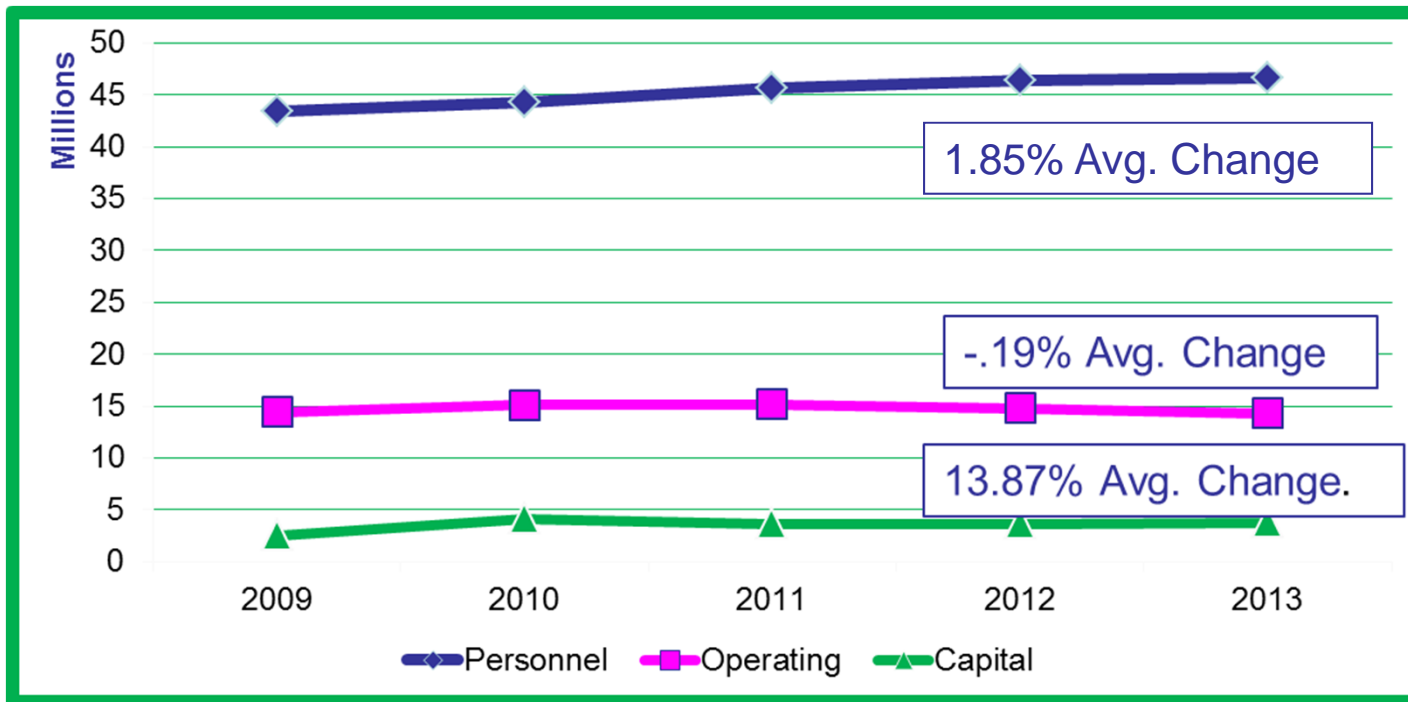
EXPENSES

Expense Categories

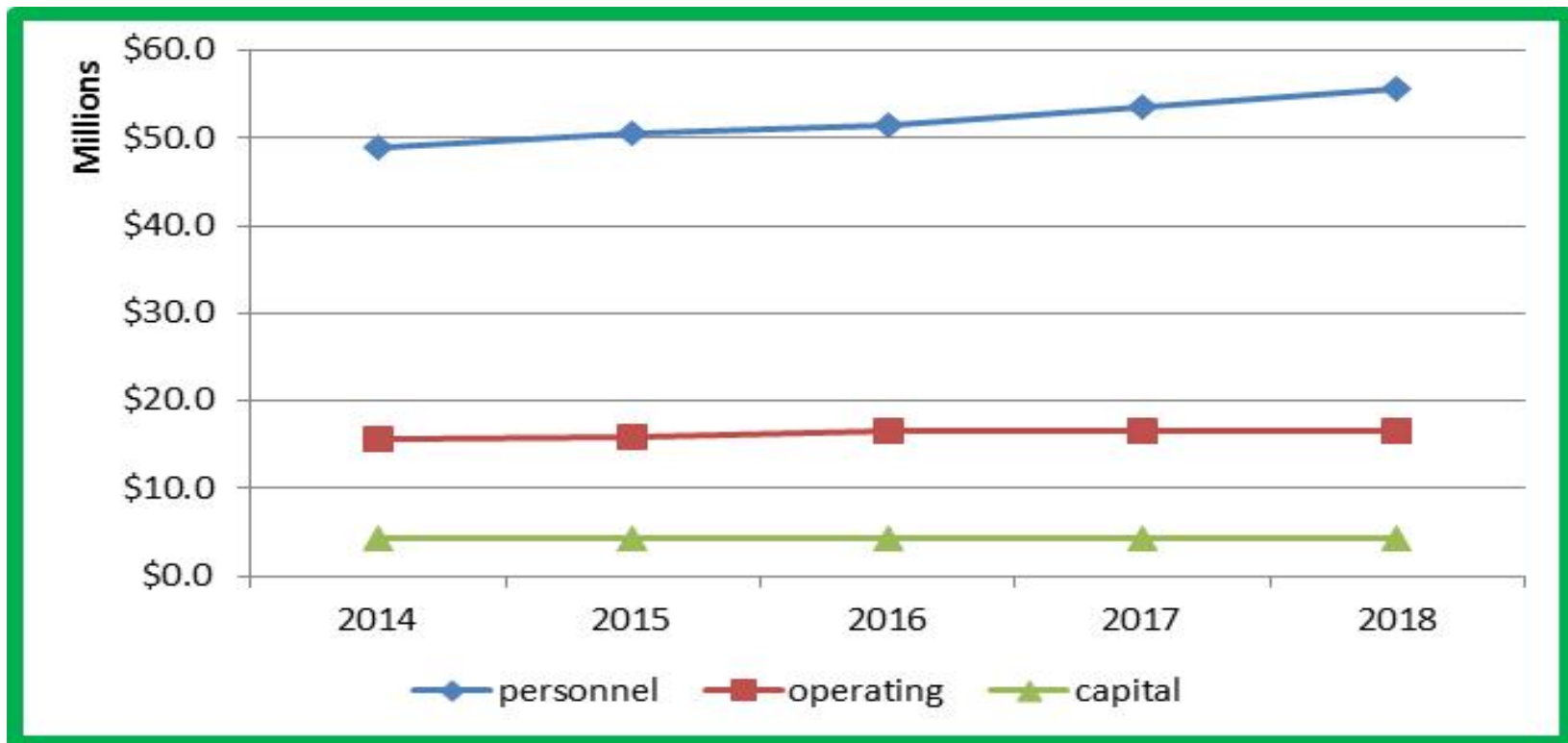
- Personnel
- Operating
- Capital Improvements

~ 86%

Expense History



Expense Projection



Personnel

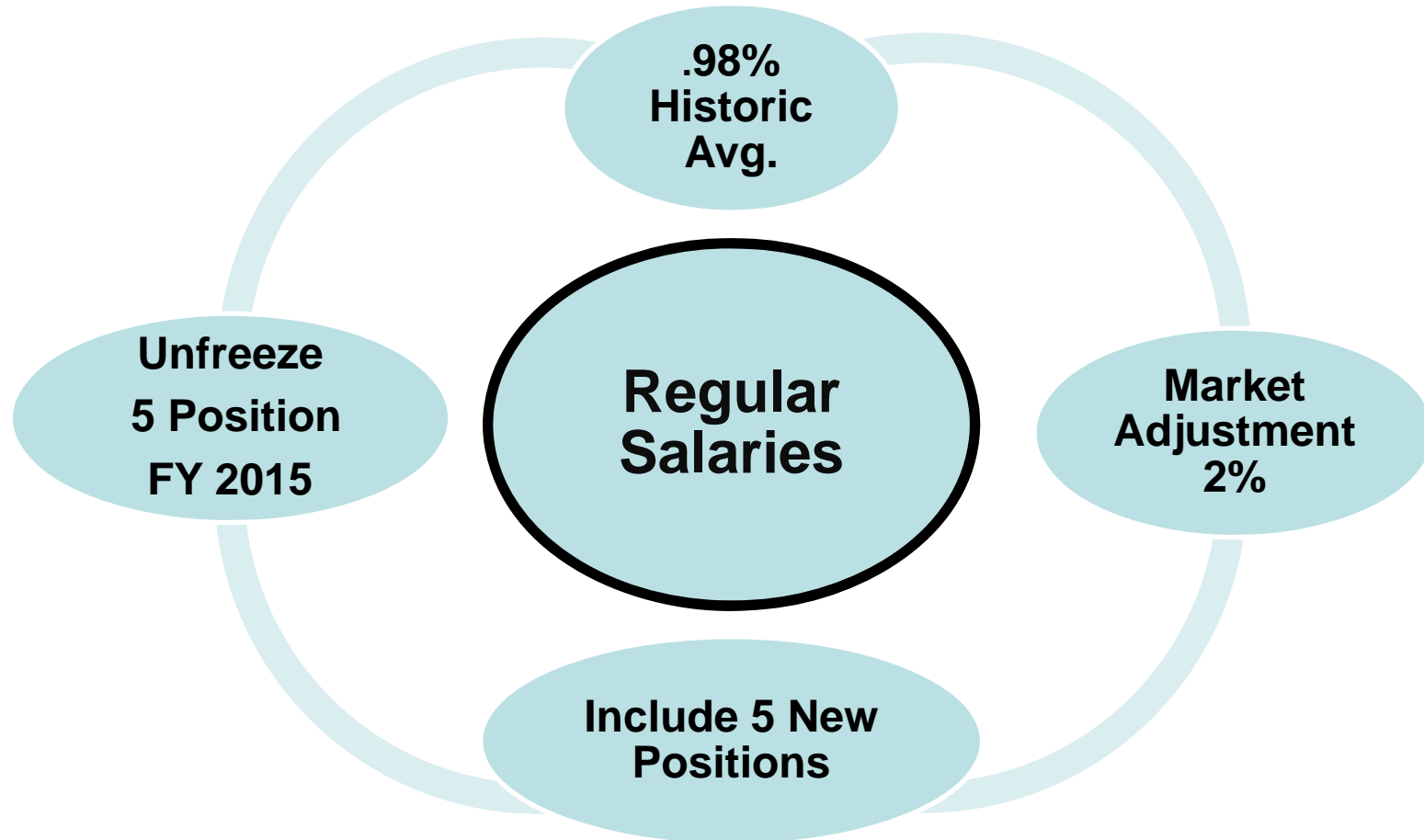
Frozen Positions

New Positions

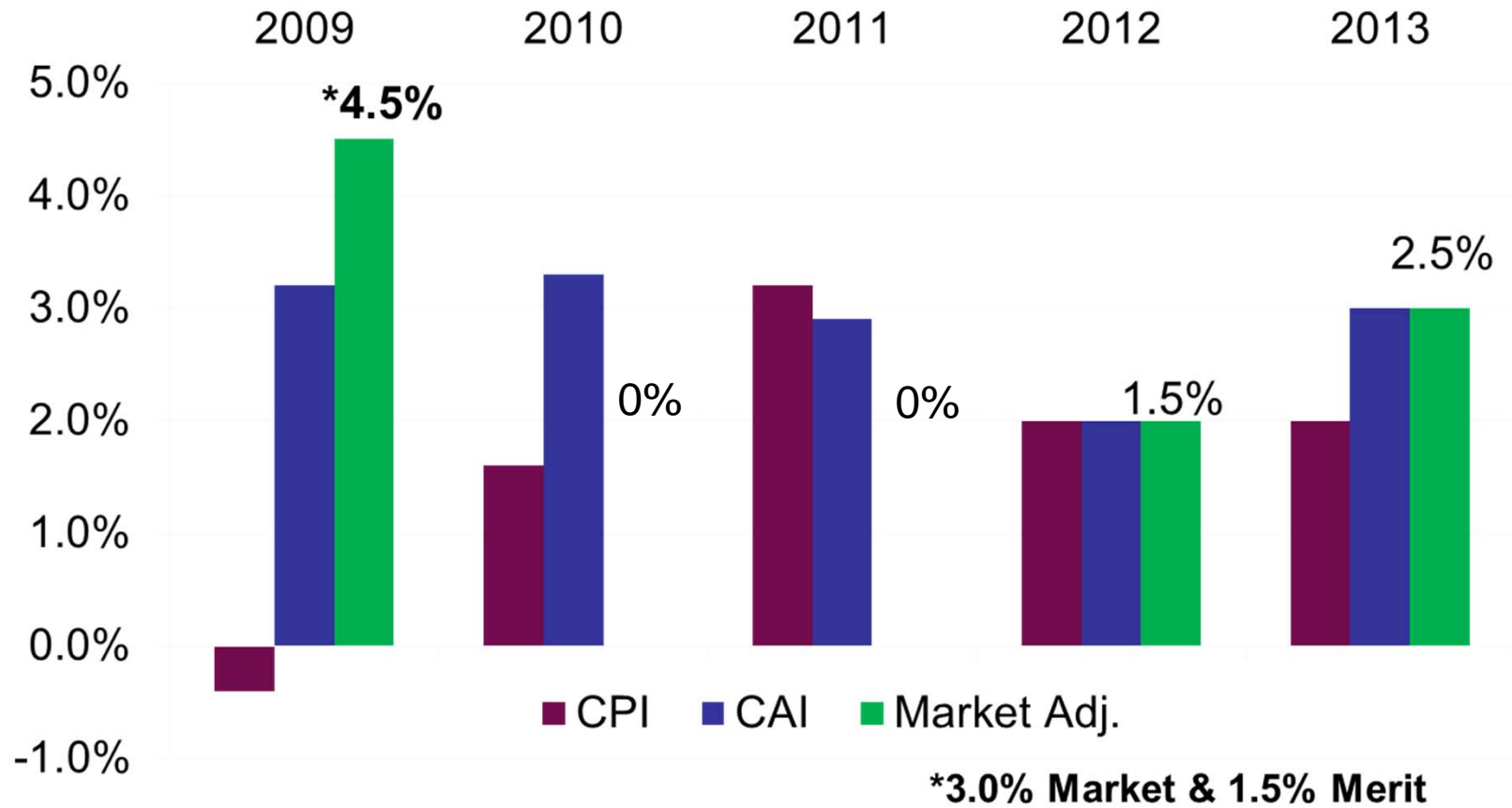
Market Increases

Health Insurance

Personnel

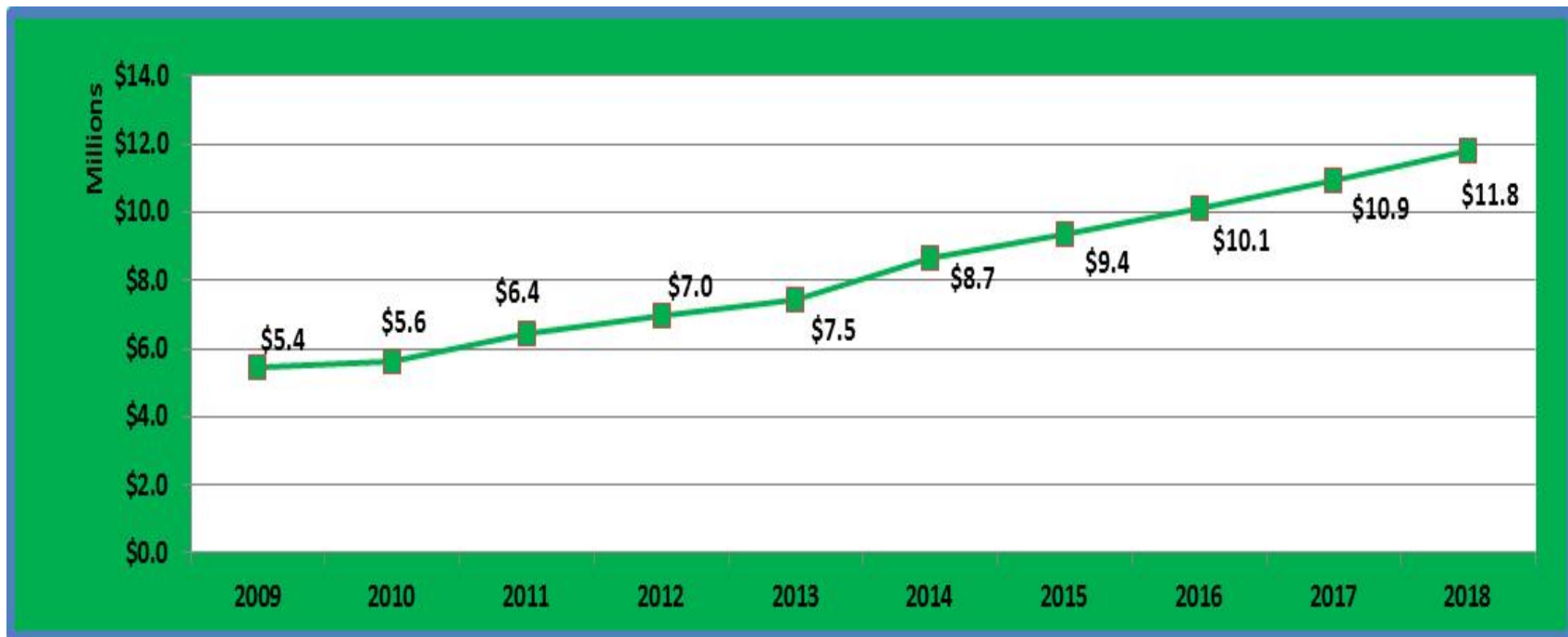


Consumer Price Index (CPI) vs. Capital Associated Industries (CAI)



Health Insurance

- Increased on average 7% in 5 years
- 8% increase annual forecast



Operating

- Street Lighting
- Utilities
- Fuel
- Fleet Service Costs
- Computer Hardware / Software
- Insurance Costs (excluding healthcare)
- Discretionary Funds (i.e. printing, postage, etc.)

Projected Growth in Future Years ~1.5%

Capital

- ❑ No consistent historic trend
 - depends upon available funds
 - depends upon project prioritization

- ❑ Projection for future years based on current year data plus 1% growth

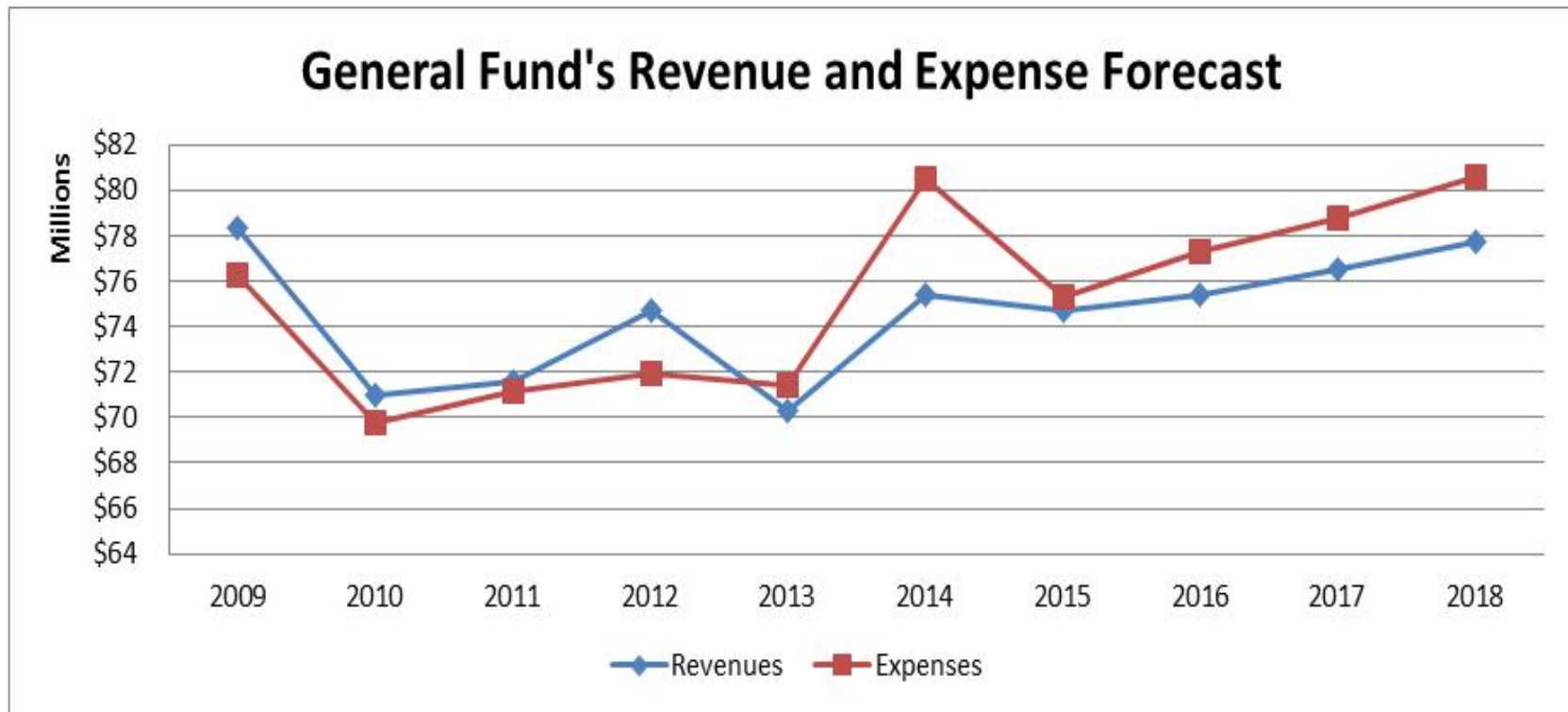
Other Expenses (Indirect Cost)

- 3rd Party Calculation
- 50% Reimbursed in Current Year
- Projection Includes 75% in FY 2015 and FY 2016
- Projection Includes 100% in FY 2017 and FY 2018

Forecast Summary

| | FY14 | FY15 | FY16 | FY17 | FY18 |
|----------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>Projection</u> | <u>Projection</u> | <u>Projection</u> | <u>Projection</u> | <u>Projection</u> |
| (In Millions) | | | | | |
| Total Revenue | <u>\$75.3</u> | <u>\$74.7</u> | <u>\$75.4</u> | <u>\$76.5</u> | <u>\$77.7</u> |
| Total Expenses | <u>\$80.5</u> | <u>\$75.3</u> | <u>\$77.3</u> | <u>\$78.8</u> | <u>\$80.6</u> |
| Net | <u>(\$5.2)</u> | <u>(\$0.6)</u> | <u>(\$1.9)</u> | <u>(\$2.3)</u> | <u>(\$2.9)</u> |

Summary



Summary

Forecast Does Not Include Funding Beyond Historic Levels For:

- Street and sidewalk improvements
- Facility maintenance needs
- Increased capital spending
- Staffing for new or increased levels of service

The Big Picture

In Recent Years City Council has Systematically addressed funding:

- Vehicles
- Other Post Employment Benefits (OPEB)
- Sanitation
- Stormwater

The Big Picture

There is a need to now do the same with the following:

- Street and Sidewalks Improvements
- Facility Maintenance Needs
- Increased Capital

PRESENTATION OF PROPOSED 10-YEAR FACILITIES MAINTENANCE PLAN

AGENDA

- Overview of Existing Facilities Maintenance
- Overview of City-Maintained Buildings
- Why Do We Need a 10-Year Facilities Maintenance Plan?
- Proposed 10-Year Facilities Maintenance Plan
- Budget Impact
- Funding Plan
- Recommendation

OVERVIEW-EXISTING FACILITIES MAINTENANCE

- Total Square Feet of Building Space Maintained by City is about 550,000 s.f. - 68 Buildings/Facilities
- Public Works maintains approximately 345,000 sq. ft. and Parks Maintenance maintains 205,000 sq. ft.
- Both Departments maintain 34 Buildings/Facilities



OVERVIEW-EXISTING FACILITIES MAINTENANCE

- Estimated Total Value of City Buildings/Facilities is over \$75 Million
- City Staff/Contractors provide Preventive, Predictive, and Emergency Maintenance



OVERVIEW-EXISTING FACILITIES MAINTENANCE

PREVENTIVE MAINTENANCE (PM)



- Changing Air Filters



Water Proofing

OVERVIEW-EXISTING FACILITIES MAINTENANCE

PREDICTIVE OR PROACTIVE MAINTENANCE



- Scheduled Roof Replacement

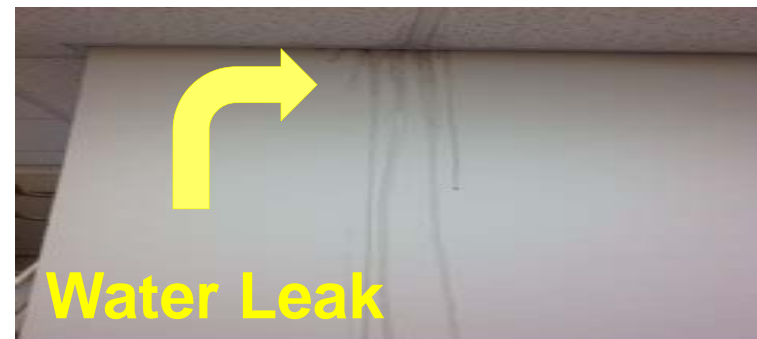
Air Handling Unit Replacement



OVERVIEW-EXISTING FACILITIES MAINTENANCE

REACTIVE OR EMERGENCY MAINTENANCE

- Complications of Roof Failure

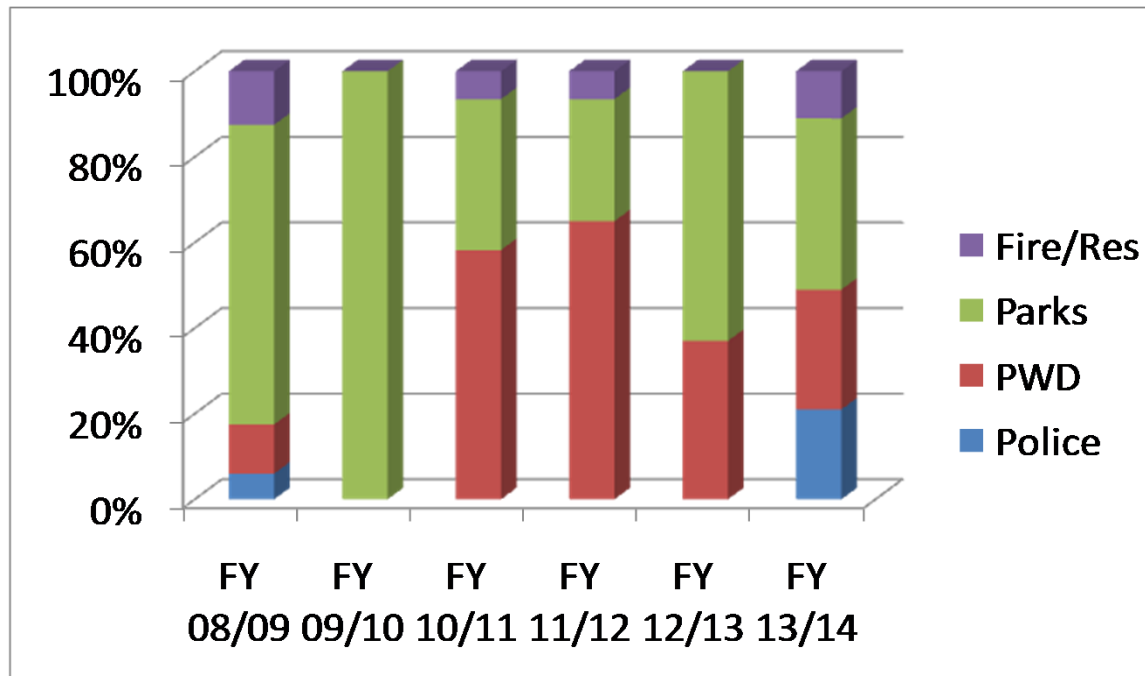


OVERVIEW-EXISTING FACILITIES MAINTENANCE

- Contractors Perform Over 90% of Fencing/Roofing, and Approximately 50% of Mechanical Repairs
- City Staff Perform 60% -75% of Other Trades Work Orders (Electrical, Plumbing, and Carpentry)



% of Facility Maintenance Funding by Department



This graph represents “Uh-oh” funding. FY 10 Parks 40% of Bldg. Area but 100% of funding – Reactive

WHY IS A 10-YEAR FACILITIES MAINTENANCE PLAN NEEDED?

- Elimination of Deferred Maintenance
Building Fund Last Six Years: (60% Deficit)
\$2.3 Million Requested Yearly & \$1 Million approved
- Provides a Process for Planned Expenditures
- Protects the City's Investment (Over \$75 Million)
- Reduces Reactive Repairs which are More Costly

WHY IS A 10-YEAR FACILITIES MAINTENANCE PLAN NEEDED?

Emergency Repairs vs Proactive Maintenance for a 10,000 s.f. building

- Cost to Replace Roof = \$25/s.f. (\$250,000)
- Cost to Resurface Roof = \$5/s.f. Add 10-15 years with Elastomeric Coating (\$50,000)
- Cost of Roof Failure = \$125/s.f. - Replace Roof BUT also insulation, decking, parapet, coping, mold remediation, walls, painting, floors, utilities. (\$750k - \$1.25M)

Maintain << Replace << Failure = Saved \$\$\$

WHY IS A 10-YEAR FACILITIES MAINTENANCE PLAN NEEDED?

- Anticipate Reduction of Emergency Repairs/Replacement
- Provide Safe Environment for Citizens and Staff
- Reduce Energy Use of Equipment and Buildings
- Eliminate Big Surprises



FACILITY EVALUATION

STEPS TO DEVELOPING 10-YEAR PLAN - SCOPE

- Included All Existing City Buildings In Plan
- Completed Facilities Inventory
- Established Life Expectancy - Inventory Components
- Developed List of Major Maintenance/Repair Needs
- Established Timeline for Maintenance Projects
- Developed Report, Plan, and Budgetary Estimates

10-YEAR FACILITIES MAINTENANCE PLAN REPORT

- Includes All Existing City Maintained Buildings and Facilities
- Provides Inventory of All Existing City Building Assets
- Shows Listing of All Major Maintenance, Repair, and Renewal Projects Greater than \$5,000
- Lists Summary of Projected Costs for Each Fiscal Year Through FY 23/24

BUDGET IMPACT

10-YEAR FACILITIES MAINTENANCE PLAN NEEDS

- The Facilities funding required for the 10-Year Plan is \$1.63 Million Per Year (avg. over 10 years)

AVERAGE ANNUAL FUNDING FOR FACILITY PROJECTS (2008-2013)

- Average Annual Building Fund Related Projects Funded Over the Last Six Years is \$1 Million
- This \$1 Million Was Funded from CIP and/or General Fund

BUDGET IMPACT

MAINTENANCE AND REPAIR FUNDS

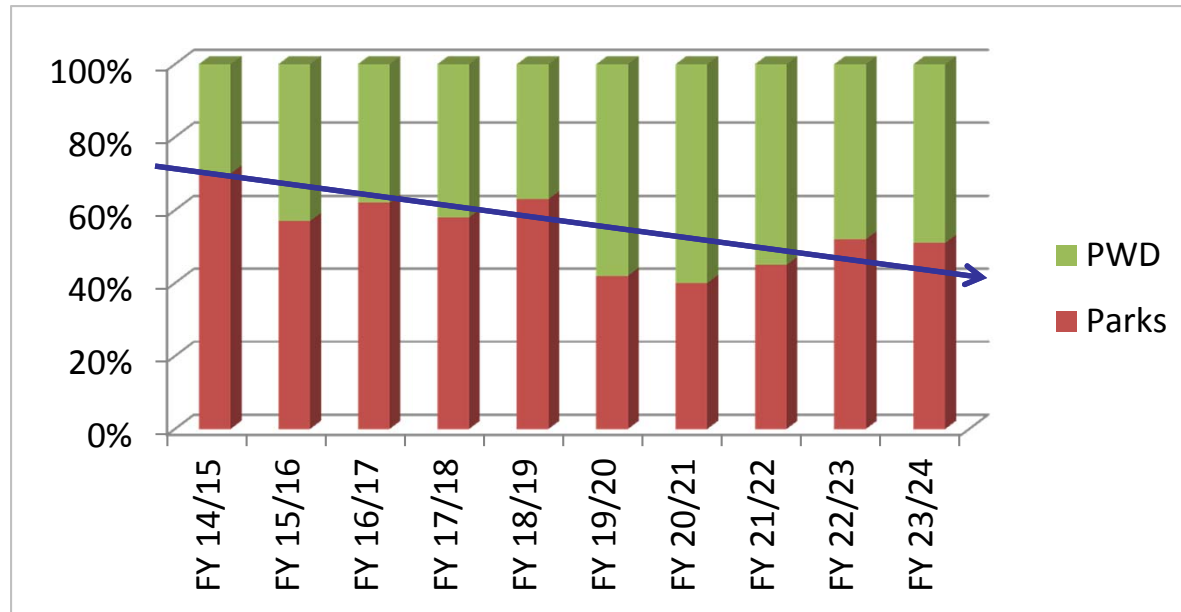
- FY 13/14 Operations Budget Funding for Building PM and Emergency Repairs (Mostly Under \$5,000) is \$650,000 for All Departments Combined.

BUDGET IMPACT SUMMARY

- The average annual funding needed going forward is \$1.63 Million for facility improvements and \$650,000 for maintenance, for a total of \$2.28 Million.
- Average annual CIP/General Fund allocation for facility improvements has been \$1.0 Million.
- Average annual maintenance funds have been \$650,000.
- Existing shortfall = \$0.63 Million annually.

PROPOSED 10-YEAR FACILITIES PLAN

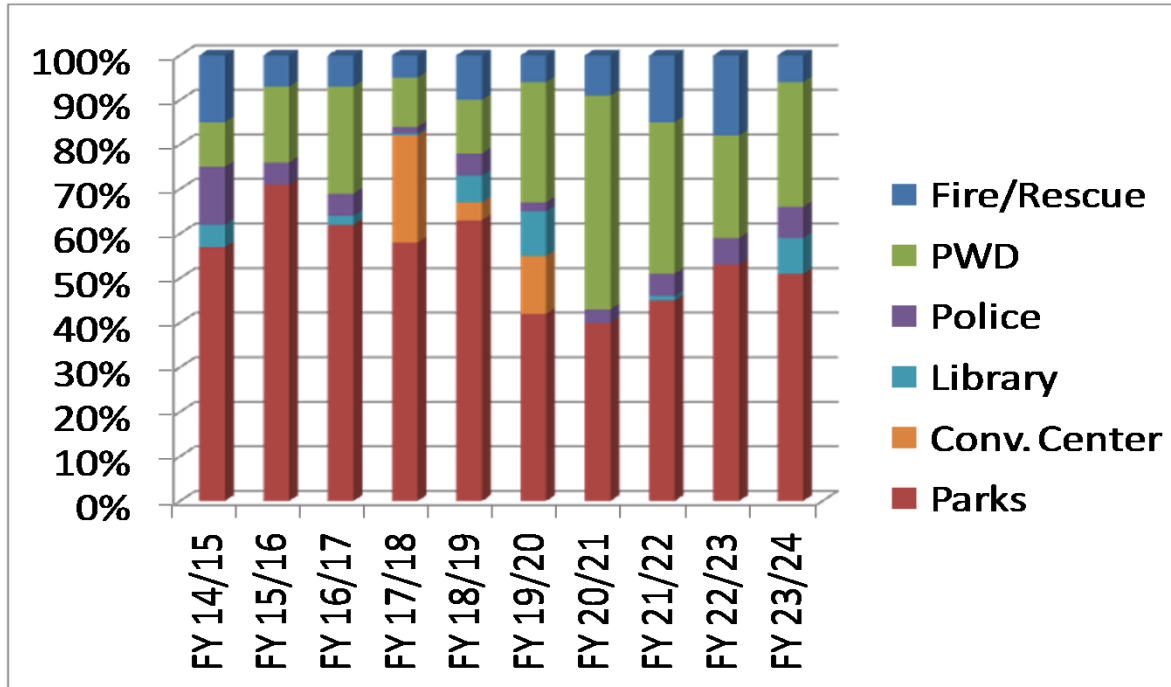
% By Department for Future Proposed Projects



Eventually \$\$ allocations will mirror Square Footage of 60/40

PROPOSED 10-YEAR FACILITIES PLAN

% By Department for Planned Replacements



FUNDING PLAN

The Options for Funding the 10-Year Facilities Maintenance Plan are as follows:

Option 1- Provide \$5 Million to address deferred maintenance problems now and combine the \$1.0 Million from CIP/General Fund with \$650,000 for maintenance into Facilities Maintenance Fund.

\$5M of up-front funding will cover most of the deferred maintenance and allow existing annual allotment to address facility needs.

FUNDING PLAN

Option 2- Increase Operating Budget annually by \$630,000 for Facilities Plan for next 10 years. Annual allotment would increase from \$1.65M to \$2.28M

This option would cost the City an extra \$1.3 Million over 10 years. This \$1.3M is the cost of not addressing the immediate needs in the first 2-3 years.

This equates to a little more than a penny increase per \$100/Assessed Property Value

RECOMMENDATION

Staff recommends City Council approve the *concept* of the 10-Year Facilities Maintenance Plan beginning with FY 14/15, and give staff feedback on methods of funding the Plan in the future.

Staff will bring back the 10-Year Facilities Maintenance Plan as part of the Proposed FY 14/15 and FY 15/16 Budget for consideration.

