TO: Mayor and Town Council

FROM: Jeanne Blackman, Town Manager
James Alcantar, Chief Financial Officer

SUBJECT: Fiscal Year 2015-16 Second Quarter Report

We are pleased to present to you a comprehensive fiscal year 2015-16 (FY16) second quarter (July 2015–December 2015) financial report. This report will include a financial status summarization for the General Fund and Highway User Revenue Fund (HURF), a description of major revenue categories, a comparison to the second quarter year-to-date (YTD) of fiscal year 2014-15 (FY15) to second quarter YTD fiscal year 2015-16 (FY16), and cash balances as of December 31, 2015. We have included a FY16 year-end financial projection. The third quarter report will provide a more accurate year-end projection from which the proposed FY 2016-17 budget will be created.

We have used one or more of the following in our analysis in order to assess the fund status and projections for fiscal year end:

- 2015-16 Actual revenue/expenditure to date and as a percentage of budget
- Comparison of second quarter actual for FY 2015-16 as compared to second quarter actual for FY 2014-15
- Fiscal Year 2015-16 year-end financial projections for General Fund and HURF

In looking at monthly collections of revenues or expenditures within a fiscal year, if both occur equally each month, the Town would receive 8.33% of budgeted revenues and/or expenditures each month for a total of 50% received and/or expended by the second quarter of the fiscal year. In reality, revenues such as sales tax or fees normally do not follow that pattern nor do expenditures. However, for tracking purposes, if revenues do not equal at least 50% for the second quarter, or expenditures exceed 50%, it is important to research and document the variances to determine if it may have an impact on the financial position by fiscal year end.

The General Fund's second quarter YTD revenue for FY2015-16 totals $1,689,642 (Table A), which is approximately a 0.6% increase above the same period last year. It is important to note Youngtown received an incorrect Town Sales Tax disbursement from the Arizona Department of Revenue. The exact amount of the error is unknown at this point, but we are estimating it be around $200,000. The erroneous amount was excluded from Tables A and C. Revenue categories are discussed in further detail in the report.

Table A – FY 16 to FY 15 2nd Qtr. General Fund Revenue Comparison

		FY 16	FY 15	VARIANCE	% VARIANCE
4311	Town Sales Tax*	706,909	734,705	(27,796)	-3.78%
4321	Utility Franchise Fees	112,728	108,766	3,962	3.64%
4322	Occupational License	15,210	18,025	(2,815)	-15.62%
4323	Building Permits	16,408	13,328	3,080	23.11%
4326	Audit Payments-Town Sales Tax	935	-	935	0.00%
4332	Urban Revenue Sharing	370,591	372,611	(2,020)	-0.54%
4333	State Sales Tax	281,697	264,958	16,740	6.32%
4334	Vehicle License Tax	110,863	112,161	(1,298)	-1.16%
4350	Recreation Fees	1,525	3,060	(1,535)	-50.16%
4352	Library Revenue	619	839	(219)	-26.14%
4369	Court Enhancement Fund	7,334	-	7,334	0.00%
4370	Judicial Collection Enhancement	674	-	674	0.00%
4371	Court Revenue	22,187	26,414	(4,227)	-16.00%
4372	Court/Fill-the-Gap	430	643	(214)	-33.21%
4373	Interest/Local Govt Inv Pool	1,942	1,403	539	38.46%
4374	Interest-Englewood Dev	2,008	4,002	(1,994)	-49.82%
4375	Agua Fria Ranch CFD O&M	15,105	10,606	4,499	42.42%
4385	Donations	1,000	6,080	(5,080)	-83.55%
4389	Miscellaneous	21,475	1,945	19,530	1004.39%
	Total Revenue	**1,689,642**	**1,679,545**	**10,097**	**0.60%**
* Town Sales Tax received an erroneous distribution of $200,000 from the Arizona					
Department of Revenue. This disbursement has been excluded from the table.					

Table B on the following page shows the General Fund's second quarter expenses total $1,368,719 which is approximately 5.87% less than what was expended the second quarter YTD in FY15. Over $544,000 or 40% of the $1,368,719 in expenses is for salaries and benefits with the remainder for operational costs.

The Percent of Variance column is comparing the FY15 to FY16 second quarter YTD expenditures as the amount of increase or decrease. For example, expenditures for the Courts are down 7.77% in FY16 from the same time period (July-December) in FY15. The Economic Development department budget was combined with Community Development late in FY 15. It is only shown to make the totals accurate.

Table B – FY 16 to FY 15 2nd Qtr. General Fund Expenditure Comparison

		FY 16	FY 15	VARIANCE	% VARIANCE
01	GENERAL GOVERNMENT	453,473	519,832	(66,359)	-12.77%
03	PARKS	84,858	75,443	9,415	12.48%
05	COURT	91,585	99,299	(7,714)	-7.77%
06	BUILDINGS	126,972	72,954	54,019	74.04%
16	LIBRARY	55,637	59,848	(4,211)	-7.04%
18	COMMUNITY DEVELOPMENT	42,894	34,812	8,081	23.21%
19	PUBLIC SAFETY	513,301	532,858	(19,557)	-3.67%
20	ECONOMIC DEVELOPMENT	-	58,957	(58,957)	-100.00%
	Total Expenditure	**1,368,719**	**1,454,003**	**(85,284)**	**-5.87%**

Table C – FY16 YTD General Fund Revenue to Budget Comparison

	ACTUAL YTD	BUDGET	YEAR-END ESTIMATE	VARIANCE BUDGET VS ESTIMATE
Town Sales Tax*	706,909	1,361,730	1,413,818	52,088
Utility Franchise Fees	112,728	175,000	225,456	50,456
Occupational License	15,210	32,000	30,420	(1,580)
Building Permits	16,408	22,000	32,815	10,815
Audit Payments-Town Sales Tax	935	15,000	1,871	(13,130)
Urban Revenue Sharing	370,591	741,182	741,182	(0)
State Sales Tax	281,697	588,102	563,395	(24,707)
Vehicle License Tax	110,863	243,305	221,727	(21,578)
Recreation Fees	1,525	6,000	3,050	(2,950)
Library Revenue	619	1,200	1,239	39
Court Enhancement Fund	7,334	50,341	14,669	(35,672)
Judicial Collection Enhancement	674	2,000	1,348	(652)
Court Revenue	22,187	75,000	44,374	(30,626)
Court/Fill-the-Gap	430	7,000	859	(6,141)
Interest/Local Govt Inv Pool	1,942	2,753	3,884	1,131
Interest-Englewood Dev	2,008	6,600	4,017	(2,583)
Agua Fria Ranch CFD O&M	15,105	20,013	20,013	-
Donations	1,000	6,100	2,000	(4,100)
Miscellaneous	21,475	1,000	21,475	20,475
Sale/Rental Town Property	-	1,000	-	(1,000)
Total Revenue	**1,689,642**	**3,357,326**	**3,347,612**	**(9,715)**

* Town Sales Tax received an erroneous distribution of $200,000 from the Arizona Department of Revenue. This disbursement has been excluded from the table.

TABLES A & C -GENERAL FUND REVENUES

General Fund- Major Revenue Categories

On page 3 of this report Table C presents the FY16 General Fund actual revenue collections compared to budget for the second quarter (July 1, 2015 through December 31, 2015). The Year-end Estimate column illustrates where that line-item is projected to finish on June 30, 2016. The Variance Budget vs Estimate column illustrates the difference between what was budgeted and were the Town is projected to finish. The positive amounts are on target to reach the budgeted figures, whereas the negative amounts are behind schedule for this point in the year. As shown in the table, the total collections for the fiscal year are expected to be above what was budgeted for the year. Keep in mind the figures exclude the $200,000 erroneous Town Sales Tax receipt.

The Court revenues are below projections because of a decrease in citations issued within Youngtown town limits. Audit Payments are below projections as collection activity has not reached expectations. Also, the State Sales Tax and Vehicle License Tax are projected to collect below budget at this point. The busy Christmas shopping season will not be realized until the third quarter, so both have the opportunity to rebound still. The largest sources of miscellaneous revenue come from the Agua Fria Ranch lease agreement, Lifestream Senior Living, a vandalism insurance payment, and the Winter Miracle sponsorships. The coding of the sponsorships will be moved to donations for next quarter's report. Overall Youngtown is expected to collect more revenue than was budgeted despite a few line-items coming in under budget. Total Revenue is the most important row in Table C.

Local Sales Tax – In Table A, second quarter local sales tax collections decreased 3.78% compared to the second quarter of FY15. In Table C, the local sales tax is projected to finish the year $52,088 over the budget projection.

State Shared Revenues - These revenues include the Town's portion of the State Urban Revenue Sharing (Income Tax), State-Shared Sales Tax, and Vehicle License Tax. The Urban Revenue Sharing is projected to equal the budget. However, the State Sales Tax and the Vehicle License Tax are projected to under realize the budget by $24,707 and $21,578 respectively.

GENERAL FUND – EXPENDITURES

As noted earlier in this report, Table B shows the General Fund spent $1,368,719 for the second quarter of fiscal year 2015-16. This is approximately 5.87% less than what was expended by December 31 of last fiscal year. Table D shows the General Fund is projected to under realize budgetary spending limits by $279,857. The largest variances for the second quarter of FY16 are caused by vacant positions that will be filled later in the fiscal year and a general insurance payment made in January 2016. As with revenue, it is important to note there will be deviations from the 8.33% per month expenditures because items are purchased or projects are completed throughout the fiscal year. Even though Parks is projected to

overspend by $20,974, that will not occur because the Agua Fria Ranch water bill is reimbursed at 65%. At this point it is fair to assume there will be overall savings to the General Fund.

Table D – FY16 YTD Expenditure to Budget Comparison

	ACTUAL YTD	BUDGET	YEAR-END ESTIMATE	VARIANCE BUDGET VS ESTIMATE
GENERAL GOVERNMENT*	453,473	1,114,485	906,946	207,539
PARKS	84,858	148,741	169,715	(20,974)
COURT	91,585	182,573	182,573	-
BUILDINGS	126,972	238,521	238,521	-
LIBRARY	55,637	121,856	111,273	10,583
COMMUNITY DEVELOPMENT	42,894	134,396	85,787	48,609
PUBLIC SAFETY	513,301	1,226,724	1,176,602	50,122
Total Expenditure	**1,368,719**	**3,167,296**	**2,871,418**	**295,878**
*The Budget is reduced by $827,000 and $209,995 for unused PRSPRS payments and contingency to give a more accurate illustration. The Town has spent $25,000 of the $1,036,995 contingency budget.				

GENERAL FUND SUMMARY

Overall, based on revenue and expenditure analysis of fiscal year 2015 year to date versus fiscal year 2016 year to date, Youngtown should meet the annual budget projections for revenues and be below for expenditures. Through this point the economy has been improving. We will continue to monitor its condition as the year progresses. The department heads are continuing to spend conservatively within their budget limitations.

HURF SUMMARY

HURF REVENUES

The Highway User Revenue Fund (HURF) is what is referred to as the gasoline tax. HURF monies are only to be used for street related purposes. The Town maintains the HURF revenues and expenditures in a separate fund to ensure this. Table E is a summary of the HURF revenues collected through the second quarter of FY16 as compared to the FY15. The HURF has currently received $56,207 or 22.64% less revenue than at this point in FY 15. The main difference was a one-time sale of the street sweeper in FY 15. Table F is a comparison of revenues compared to the FY 16 budget. As of the end of the second quarter, direct HURF revenues are projected to exceed the budget forecast by $9,539. The Regional Public Transportation Authority (RPTA) grant monies will be received in the second half of the year because they are based on an expenditure reimbursement basis.

Table E – FY 16 to FY 15 HURF Revenue Comparison

		FY 16	FY 15	VARIANCE	% VARIANCE
4346	Highway User Revenue	189,886	224,205	(34,319)	-15.31%
4348	RPTA Grants	1,143	210	933	444.29%
4373	Interest/Local Govt Inv Pool	1,041	377	664	175.90%
4376	MAG/CMAQ	-	23,485	(23,485)	-100.00%
	Total Revenue	**192,071**	**248,278**	**(56,207)**	**-22.64%**

Table F – FY16 YTD HURF Revenue to Budget Comparison

	ACTUAL YTD	BUDGET	YEAR-END ESTIMATE	VARIANCE BUDGET VS ESTIMATE
Highway User Revenue	189,886	370,234	379,773	9,539
RPTA Grants	1,143	18,164	18,164	-
Interest/Local Govt Inv Pool	1,041	726	2,083	1,357
			-	-
Total Revenue	**192,071**	**389,124**	**400,020**	**10,896**

HURF EXPENDITURES

Table G shows the second quarter FY 16 YTD HURF expenditures compared to FY 15. Over $39,400 or 66% of the $60,097 in expenses is for salaries and benefits with the remainder for

operational costs. HURF expenditures are 50.69% lower than they were this time last year. The major difference comes from the street repair projects that were funded in early FY 15. Table H compares second quarter YTD to the budget. Total HURF expenditures are projected to under realize budget projections by $257,450. As is the case with the General Fund, HURF expenditures fluctuate throughout the year. At this rate however, HURF should be under budget for the year.

Table G – FY 16 to FY 15 HURF Expenditure Comparison

		FY 16	FY 15	VARIANCE	% VARIANCE
6110	Salaries, Regular	29,995	26,578	3,416	12.85%
6210	Employer Fica & Medicare Exp	2,310	2,004	305	15.24%
6230	Az State Retirement System	3,502	3,075	428	13.90%
6240	Workman's Compensation	-	2,163	(2,163)	-100.00%
6250	Group Health Insurance	3,119	3,402	(284)	-8.33%
6255	Life Insurance AD&D	52	57	(5)	-8.32%
6257	Dental Insurance	252	275	(23)	-8.33%
6258	Vision Insurance	59	64	(5)	-8.29%
6260	Unemployment Insurance	187	-	187	0.00%
7305	Supplies	186	483	(297)	-61.52%
7345	Legal Advertising	-	37	(37)	-100.00%
7351	Equipment Repair & Maintenance	5	378	(373)	-98.68%
7352	Vehicle Repair & Maintenance	85	453	(368)	-81.30%
7354	Streets Repair	3,600	19,386	(15,786)	-81.43%
7356	Street Sweeping	-	27,782	(27,782)	-100.00%
7358	Weed Control	505	702	(197)	-28.03%
7505	Telephone	147	194	(47)	-24.25%
7507	Cell Phone	-	103	(103)	-100.00%
7520	Internet Service Provider	53	23	30	128.22%
7575	Gas and Oil	1,542	1,228	314	25.58%
7672	Insurance, General	-	3,115	(3,115)	-100.00%
7702	Accounting/Auditing	8,000	3,700	4,300	116.22%
7755	ADEZ MS4 Permit	2,500	2,500	-	0.00%
7923	Storm Water & Erosion	-	1,000	(1,000)	-100.00%
7926	RPTA Grant Transit Amenities	-	7,139	(7,139)	-100.00%
7938	MAG/TIP	-	2,451	(2,451)	-100.00%
7940	Street Improvement Project	3,750	1,400	2,350	167.86%
7975	MAG-LOCAL MATCH	250	12,190	(11,940)	-97.95%
	Total Expenditure	**60,097**	**121,880**	**(61,783)**	**-50.69%**

Table H – YTD HURF Expenditure to Budget Comparison

	ACTUAL YTD	BUDGET	YEAR-END ESTIMATE	VARIANCE BUDGET VS ESTIMATE
Salaries, Regular	29,995	58,061	59,989	(1,928)
Salaries, Overtime	-	205	-	205
Employer Fica & Medicare Exp	2,310	4,457	4,619	(162)
Az State Retirement System	3,502	6,683	7,005	(322)
Workman's Compensation	-	5,629	-	5,629
Group Health Insurance	3,119	6,804	6,238	567
Life Insurance AD&D	52	113	104	9
Dental Insurance	252	549	503	46
Vision Insurance	59	88	118	(30)
Unemployment Insurance	187	350	374	(24)
Supplies	186	600	372	228
Legal Advertising	-	200	-	200
Equipment Repair & Maintenance	5	1,500	10	1,490
Vehicle Repair & Maintenance	85	2,000	170	1,830
Streets Repair	3,600	200,000	102,200	97,800
Street Sweeping	-	14,220	-	14,220
Weed Control	505	1,700	1,010	690
Minor Tools and Equipment	-	200	-	200
Telephone	147	450	294	156
Cell Phone	-	250	-	250
Internet Service Provider	53	65	106	(41)
Gas and Oil	1,542	2,500	3,084	(584)
Equipment Rentals	-	250	-	250
Insurance, General	-	3,115	-	3,115
Accounting/Auditing	8,000	8,000	8,000	-
Legal Expense, Hwy Users Fund	-	300	-	300
ADEZ MS4 Permit	2,500	2,500	2,500	-
Training	-	300	-	300
Employee Related Testing	-	200	-	200
Contingency*	-	-	-	-
Storm Water & Erosion	-	2,000	-	2,000
RPTA Grant Transit Amenities	-	18,164	-	18,164
Equipment	-	5,000	-	5,000
Street Improvement Project	3,750	15,691	7,500	8,191
MAG-LOCAL MATCH	250	100,000	500	99,500
Total Expenditure	**60,097**	**462,144**	**204,694**	**257,450**

*Contingency was removed from the budget to provide an accurate illustration.

Cash Balances

The Town has cash accounts at Compass Bank and the State Treasurer's Local Governmental Investment Pool (LGIP). The following is a breakdown of the cash balances through December 31, 2015:

All Youngtown accounts as of December 31, 2015		
Compass Bank Accounts		
Court*	$	9,102
Court Enhancement*	$	80,506
Fill the Gap*	$	5,388
General Fund***	$	727,036
Judicial Collection Enhancement Fund*	$	19,155
RICO (Police Confiscated Assets)**	$	11,613
Total	**$**	**852,800**
* Restricted to Court purposes		
** Restricted to Law Enforcement purposes		
*** Contains an inaccurate disbursement		
State Treasury (LGIP Accounts)		
Agua Fria Ranch Fee Fund*	$	561,659
Agua Fria Ranch CFD*	$	239,333
General***	$	1,996,509
Highway User Revenue Fund**	$	1,280,765
Impact Fees*	$	84,880
Library Improvement Fund*	$	109,419
Total	**$**	**4,272,564**
* Restricted to specific expenditures		
** Approximately $1M will be transferred to GF		
*** Contains grants and Street Lighting Districts		

Overall the Town has $4.27 million in Compass Bank accounts and the LGIP. As of June 30, 2015, approximately $1 million of the HURF Fund LGIP account will be transferred to the General Fund account where the Town will then have over $3 million in the General Fund Account. There also may be funds from the Library Improvement Fund and the Impact Fee Fund to reimburse the General Fund for expenditures that were made on behalf of the Library or for growth related projects. This will be completed by the end of the 3rd Quarter.