



First Quarter Report FY2016-17

TO: Mayor and Town Council

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

SUBJECT: Fiscal Year 2016-17 First Quarter Report

We are pleased to present to you a comprehensive fiscal year 2016-17 (FY17) first quarter (July 2016–September 2016) 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 first quarter year-to-date (YTD) of fiscal year 2015-16 (FY16) to first quarter YTD fiscal year 2016-17 (FY17), and cash balances as of September 30, 2016. All tables are located at the end of the document for reference. Each section will clearly indicate which table it is referring to. We have not included a FY17 year-end financial projection because at this point in the fiscal year there is only 3 months of revenue and expenditure data.

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

- ◆ 2016-17 Actual revenue/expenditure as a percentage of budget for the entire year
- ◆ Comparison of actual FY2016-17 as compared to actual for FY2015-16 for the first quarter

This report illustrates where the Town finished for the first quarter of FY2017. If you divide the budget evenly over twelve months, both revenues and expenditures would be at 25% of the budget projection. In reality, revenues such as sales tax or fees normally do not follow that pattern nor do expenditures. This is especially the case in the first quarter because some large expenditures are incurred during the first month of the fiscal year. Also, if a large expenditure is paid early it has more of an effect on the percentage of the budget used than if it were made later in the year. For tracking purposes, if revenues do not equal at least 25% for the first quarter, or expenditures exceed 25%, it is important to research and document the variances to determine if there is a need to adjust spending before fiscal year end to stay within the budget parameters.

GENERAL FUND SUMMARY

Overall, based on revenue and expenditure analysis of fiscal year 2017, Youngtown is close to the annual budget projections for revenues and expenditures year-to-date. The economy continues to improve from FY16 as we projected in the FY17 budget. Therefore, revenue is expected to keep pace with budget projections.

The General Fund's first quarter YTD revenue for FY2016-17 totals \$892,620 (Table A), which is approximately a 6.4% increase over the first quarter of FY16. Revenue categories are discussed in further detail in the report. Table C shows the General Fund's expenses for the quarter totaled \$888,830, which is approximately 39.4% more than was expended in the first



quarter of FY16, \$330,457 or 37.2% of the \$888,830 is for salaries and benefits with the remainder for operational costs.

GENERAL FUND REVENUES

General Fund- Major Revenue Categories - Table B presents the FY17 General Fund actual revenue collections compared to budget for the first quarter of the 2017 fiscal year (July 1, 2016 through September 30, 2016). The remaining column illustrates the difference between what was budgeted for the entire year and what the Town collected for the first quarter of FY17. The negative amounts demonstrate how much still needs to be collected to reach budget figures, and the positive numbers show where the collections exceeded budget projections. As shown in the table, the total collections for the fiscal year were 24.1% of what was budgeted for the year or .9% to be collected to meet the 25% amount by year end.

The Court revenues are below projections because of a decrease in fine collections. Audit payments were below projections since some of the tax collections might have been captured in the sales tax category. Miscellaneous revenue is largely comprised of a payment from a vendor to have a cell tower in Youngtown, and a refund from the previous life insurance provider. Due to the nature of the miscellaneous revenue it is difficult to project the amount to be collected in this revenue category. Miscellaneous revenue will fluctuate throughout the year.

Local Sales Tax – In Table A, local sales tax collections increased \$19,406 compared to the first quarter of FY16. This demonstrates the local economy continues to grow. In Table B, the local sales tax finished the quarter at 23.65% of the budget projection. Local Sales Tax tends to increase during the third quarter of the fiscal year due to collections from the Christmas season. Therefore, we currently anticipate the collections to meet the budget by the fiscal year end.

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. Table A shows State Sales Tax also exceeded the previous year first quarter collections by \$4,584. Vehicle License Tax exceeded previous year first quarter collections by \$3,583. The Urban Revenue Sharing is equal to the budget as shown in Table B.

GENERAL FUND EXPENDITURES

As noted earlier in this report, Table C shows the General Fund spent \$888,830 during the first quarter of fiscal year 2016-17. Of the \$888,830, 37.2% or \$330,457 is for salaries and benefits expenses with the remainder for operational costs. Table D shows how much budget is remaining and the percent of the budget used. Positive remaining figures are still under budget. Overall the General Fund has spent 26.75% of the budget. As a reminder, with one quarter of data the numbers are more affected by the timing of large expenses. As an example, patrol services cost the Town \$78,383 monthly. Through the first quarter of the fiscal year, Youngtown has paid four months of patrol services because October was paid early. The additional \$78,383 has a larger impact than it would later in the year. Also, to save the Town interest costs, the Town pays the annual Public Safety Personnel Retirement System (PSPRS) obligation of \$76,064 in July for the whole fiscal year. In FY16 this was also paid in the July, but the amount was expensed over twelve months because there was still an active employee in



the PSPRS. That employee has retired from the Town therefore we expensed the entire amount in July versus every pay period. For the reasons explained, Public Safety has spent 36% of its budget, however, if you removed the two payments described above, it is well below the 25% target. All other departments are near 25% of the budget or below.

HURF SUMMARY

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 shows HURF revenue totaled \$103,757 for the first quarter. Table F shows HURF revenue totaled 22.31% of budget projections. The grant revenue was put in the budget as a placeholder, and may be realized later in the year.

HURF REVENUES

Table E is a summary of the HURF revenues collected for FY17 as compared to FY16. The HURF received \$6,334 or 6.5% more revenue than during the first quarter of FY16. Table F is a comparison of FY17 revenues compared to the budget. For the first quarter, direct HURF revenues are at 24% of the budget projection.

HURF EXPENDITURES

Table G shows FY17 HURF expenditures for the entire year compared to FY16. Of the \$29,474 of total expenses, 71.9% or \$21,192 was for insurance increases with the remainder for street improvement and the ADEZ M4 Permit. This covers one full-time employee and one-third of a full-time position. Table H compares FY17 expenditures to the approved budget. Total HURF expenditures are 6.19% of budget projections.

CASH BALANCES

The Town has cash accounts at Compass Bank and the State Treasurer's Local Governmental Investment Pool (LGIP). Table I is a breakdown of the cash balances through September 30, 2017. Overall the Town has \$5.41 million in Compass Bank accounts and the LGIP. As of September, 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.



TABLES

TABLE A

| GENERAL FUND 1ST QTR YTD REVENUE COMPARED TO YTD FY 16 | | | | |
|--|----------------|----------------|-----------------|-------------------|
| | FY 17 | FY16 | VARIANCE | % VARIANCE |
| Town Sales Tax | 373,633 | 354,228 | 19,406 | 5.48% |
| Utility Franchise Fees | 45,309 | 45,119 | 190 | 0.42% |
| Occupational License | 9,779 | 10,695 | (916) | -8.56% |
| Building Permits | 8,378 | 6,682 | 1,696 | 25.39% |
| Audit Payments-Town Sales Tax | - | 935 | (935) | -100.00% |
| Urban Revenue Sharing | 202,393 | 185,295 | 17,097 | 9.23% |
| State Sales Tax | 146,361 | 141,777 | 4,584 | 3.23% |
| Vehicle License Tax | 65,114 | 61,531 | 3,583 | 5.82% |
| Recreation Fees | 1,150 | 1,143 | 7 | 0.61% |
| Library Revenue | 264 | 318 | (55) | -17.14% |
| Court Enhancement Fund | 2,488 | 4,093 | (1,605) | -39.21% |
| Judicial Collection Enhancement | 281 | 278 | 3 | 1.22% |
| Court Revenue | 12,780 | 12,271 | 510 | 4.15% |
| Court/Fill-the-Gap | 171 | 302 | (131) | -43.40% |
| Interest/Local Govt Inv Pool | 2,534 | 894 | 1,640 | 183.46% |
| Interest-Englewood Dev | 1,377 | 1,512 | (135) | -8.94% |
| Agua Fria Ranch CFD O&M | 156 | 298 | (142) | -47.57% |
| Donations | 5,500 | 1,000 | 4,500 | 450.00% |
| Miscellaneous | 8,500 | 10,247 | (1,747) | -17.05% |
| AFR HOA Water Lease | 6,452 | - | 6,452 | 0.00% |
| Total Revenue | 892,620 | 838,618 | 54,002 | 6.44% |



TABLE B

| GENERAL FUND 1ST QTR YTD REVENUE COMPARED TO BUDGET | | | | |
|---|----------------|------------------|--------------------|----------------|
| | ACTUAL YTD | BUDGET | REMAINING | % OF BUDGET |
| Town Sales Tax | 373,633 | 1,579,967 | (1,206,334) | 23.65% |
| Utility Franchise Fees | 45,309 | 200,000 | (154,691) | 22.65% |
| Occupational License | 9,779 | 30,000 | (20,221) | 32.60% |
| Building Permits | 8,378 | 30,000 | (21,622) | 27.93% |
| Audit Payments-Town Sales Tax | - | 24,000 | (24,000) | 0.00% |
| Urban Revenue Sharing | 202,393 | 809,570 | (607,177) | 25.00% |
| State Sales Tax | 146,361 | 622,852 | (476,491) | 23.50% |
| Vehicle License Tax | 65,114 | 257,091 | (191,977) | 25.33% |
| Recreation Fees | 1,150 | 6,130 | (4,980) | 18.76% |
| Library Revenue | 264 | 1,300 | (1,036) | 20.28% |
| Court Enhancement Fund | 2,488 | 22,000 | (19,512) | 11.31% |
| Judicial Collection Enhancement | 281 | 1,542 | (1,261) | 18.22% |
| Court Revenue | 12,780 | 56,000 | (43,220) | 22.82% |
| Court/Fill-the-Gap | 171 | 800 | (629) | 21.37% |
| Interest/Local Govt Inv Pool | 2,534 | 5,220 | (2,686) | 48.54% |
| Interest-Englewood Dev | 1,377 | 5,968 | (4,591) | 23.07% |
| Agua Fria Ranch CFD O&M | 156 | 20,948 | (20,792) | 0.75% |
| Donations | 5,500 | 9,100 | (3,600) | 60.44% |
| Miscellaneous | 8,500 | 4,000 | 4,500 | 212.51% |
| AFR HOA Water Lease | 6,452 | 17,000 | (10,548) | 37.95% |
| Sale/Rental Town Property | - | 1,020 | (1,020) | 0.00% |
| Total Revenue | 892,620 | 3,704,508 | (2,811,888) | 24.10% |

TABLE C

| GENERAL FUND 1ST QTR YTD EXPENDITURES COMPARED TO YTD FY 16 | | | | |
|---|----------------|----------------|------------------|-------------------|
| | FY 17 | FY16 | VARIANCE | % VARIANCE |
| GENERAL GOVERNMENT | 262,586 | 198,530 | (64,057) | 32.27% |
| PARKS | 48,493 | 34,942 | (13,551) | 38.78% |
| COURT | 43,154 | 41,951 | (1,203) | 2.87% |
| BUILDINGS | 37,490 | 29,877 | (7,614) | 25.48% |
| LIBRARY | 30,910 | 24,026 | (6,884) | 28.65% |
| COMMUNITY DEVELOPMENT | 24,387 | 18,252 | (6,135) | 33.61% |
| PUBLIC SAFETY | 441,810 | 290,001 | (151,808) | 52.35% |
| Total Expenditure | 888,830 | 637,578 | (251,252) | 39.41% |

TABLE D

| GENERAL FUND 1ST QTR YTD EXPENDITURES COMPARED TO BUDGET | | | | |
|---|-------------------|------------------|------------------|--------------------|
| | ACTUAL YTD | BUDGET | REMAINING | % OF BUDGET |
| GENERAL GOVERNMENT* | 262,586 | 1,171,370 | 908,784 | 22.42% |
| PARKS | 48,493 | 185,501 | 137,008 | 26.14% |
| COURT | 43,154 | 179,228 | 136,074 | 24.08% |
| BUILDINGS | 37,490 | 239,281 | 201,791 | 15.67% |
| LIBRARY | 30,910 | 132,638 | 101,728 | 23.30% |
| COMMUNITY DEVELOPMENT | 24,387 | 188,049 | 163,662 | 12.97% |
| PUBLIC SAFETY | 441,810 | 1,226,427 | 784,617 | 36.02% |
| Total Expenditure | 888,830 | 3,322,494 | 2,433,664 | 26.75% |
| *The Budget is reduced by \$1,242,153 for unused PSPRS payments and contingency to give a more accurate illustration. | | | | |

TABLE E

| HIGHWAY USER REVENUE FUND 1ST QTR YTD REVENUE COMPARED TO YTD FY 16 | | | | |
|---|----------------|---------------|-----------------|-------------------|
| | | | | |
| | FY 17 | FY16 | VARIANCE | % VARIANCE |
| Highway User Revenue | 100,071 | 96,965 | 3,106 | 3.20% |
| RPTA Grants | 1,934 | - | 1,934 | 0.00% |
| Interest/Local Govt Inv Pool | 1,752 | 458 | 1,294 | 282.30% |
| Total Revenue | 103,757 | 97,423 | 6,334 | 6.50% |

TABLE F

| HIGHWAY USER REVENUE FUND 1ST QTR YTD REVENUE COMPARED TO BUDGET | | | | |
|--|-------------------|----------------|------------------|--------------------|
| | | | | |
| | ACTUAL YTD | BUDGET | REMAINING | % OF BUDGET |
| Highway User Revenue | 100,071 | 415,944 | (315,873) | 24.06% |
| RPTA Grants | 1,934 | 18,527 | (16,593) | 10.44% |
| Grants - CDBG | - | 30,000 | (30,000) | 0.00% |
| Interest/Local Govt Inv Pool | 1,752 | 612 | 536 | 286.30% |
| Total Revenue | 103,757 | 465,083 | (361,930) | 22.31% |

TABLE G

| HIGHWAY USER REVENUE FUND 1ST QTR YTD EXPENDITURES COMPARED TO YTD FY 16 | | | | |
|--|---------------|---------------|-----------------|-------------------|
| | | | | |
| | FY 17 | FY16 | VARIANCE | % VARIANCE |
| PERSONNEL | 21,192 | 16,706 | 67,989 | 26.85% |
| OPERATIONS | 8,282 | 7,448 | 378,464 | 11.19% |
| Total Expenditure | 29,474 | 24,155 | 446,453 | 22.02% |

TABLE H

| HIGHWAY USER REVENUE FUND 1ST QTR YTD EXPENDITURES COMPARED TO BUDGET | | | | |
|---|---------------|----------------|----------------|--------------|
| | ACTUAL YTD | BUDGET | REMAINING | % OF BUDGET |
| PERSONNEL | 21,192 | 89,181 | 67,989 | 23.76% |
| OPERATIONS | 8,282 | 386,746 | 378,464 | 2.14% |
| Total Expenditure | 29,474 | 475,927 | 446,453 | 6.19% |

TABLE I

| All Youngtown accounts as of September 30, 2016 | |
|---|---------------------|
| Compass Bank Accounts | |
| Court* | \$ 16,969 |
| Court Enhancement* | \$ 81,952 |
| Fill the Gap* | \$ 5,828 |
| General Fund*** | \$ 679,036 |
| Judicial Collection Enhancement Fund* | \$ 20,354 |
| RICO (Police Confiscated Assets)** | \$ 11,615 |
| Total | \$ 815,753 |
| * Restricted to Court purposes | |
| ** Restricted to Law Enforcement purposes | |
| *** Contains an inaccurate disbursement | |
| State Treasury (LGIP Accounts) | |
| Agua Fria Ranch Fee Fund* | \$ 563,323 |
| Agua Fria Ranch CFD* | \$ 240,148 |
| General*** | \$ 2,002,894 |
| Highway User Revenue Fund** | \$ 1,592,892 |
| Impact Fees* | \$ 85,476 |
| Library Improvement Fund* | \$ 109,797 |
| Total | \$ 4,594,530 |
| * Restricted to specific expenditures | |
| ** Approximately \$1M will be transferred to GF | |
| *** Contains grants and Street Lighting Districts | |