



Second Quarter Report FY2016-17

TO: Mayor and Town Council

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

SUBJECT: Fiscal Year 2016-17 Second Quarter Report

We are pleased to present to you a comprehensive fiscal year 2016-17 (FY17) second quarter (July 2016–December 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 second quarter year-to-date (YTD) of fiscal year 2015-16 (FY16) to second quarter YTD fiscal year 2016-17 (FY17), and cash balances as of December 31, 2016. We have included a FY17 year-end financial projection. The third quarter report will provide a more accurate year-end projection from which the proposed FY 2017-18 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:

- ◆ 2016-17 Actual revenue/expenditure to date and as a percentage of budget
- ◆ Comparison of second quarter actual for FY 2016-17 as compared to second quarter actual for FY 2015-16
- ◆ Fiscal Year 2016-17 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 they may have an impact on the financial position by fiscal year end.

The General Fund's second quarter YTD revenue for FY2016-17 totals \$1,837,244 (Table A), which is approximately an 8.7% 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 in FY 16. Table A excludes \$200,000 from FY 16 Town Sales Tax to account for the difference. Revenue categories are discussed in further detail in the report.

Table B shows the General Fund's second quarter expenses total \$1,667,045. Of that amount, \$602,254 or 36% is for salaries and benefits with the remainder for operational costs. The variance column is comparing the FY16 to FY17 second quarter YTD expenditures as the amount of increase or decrease. For example, expenditures for Buildings are down \$42,273 in FY17 from the same time period (July-December) in FY16.



GENERAL FUND REVENUES

General Fund- Major Revenue Categories - Table C presents the FY17 General Fund actual revenue collections compared to budget for the second quarter (July 1, 2016 through December 31, 2016). The Year-end Estimate column illustrates where that line-item is projected to finish on June 30, 2017. The Variance Budget vs Estimate column illustrates the difference between what was budgeted and where 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 Christmas-shopping season is not included in these figures.

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. Both of those categories are expected to rebound in the third quarter when December sales will be reflected. The Verizon cell tower payments make up \$11,400 of the miscellaneous revenue. Using the estimates shown in Table C, Youngtown would collect \$7,246 more than was budgeted. As shown in Table A, the town is \$147,602 ahead of where it was at this point last year, and there are still six months for continued growth.

Local Sales Tax – In Table A, second quarter local sales tax collections increased \$84,142 compared to the second quarter of FY16. In Table C, the local sales tax is projected to finish the year \$46,815 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 \$34,862 and \$2,091 respectively.

GENERAL FUND – EXPENDITURES

As noted earlier in this report, Table B shows the General Fund spent \$1,667,045 for the second quarter of fiscal year 2016-17. Table D shows the General Fund is projected to finish under budget by \$230,111. The largest variances for the second quarter of FY17 are caused by vacant positions that may be filled later in the fiscal year and the town paying January patrol services a month in advance. 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. At this point it is fair to assume there will be an overall savings to the General Fund.

GENERAL FUND SUMMARY

Overall, based on revenue and expenditure analysis of fiscal year 2016 year-to-date versus fiscal year 2017 year-to-date, Youngtown should meet the annual budget projections for revenues and be below for expenditures. Through this point the economy continues to show signs of



improvement. We will continue to monitor its condition as the year progresses. Under the direction of the Town Manager, the department heads are continuing to spend conservatively within their budget limitations.

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. Based on revenue and expenditure analysis of fiscal year 2017 YTD, Youngtown's HURF will under realize budget projections for revenue and meet the annual expenditure budget.

HURF REVENUES

Table E is a summary of the HURF revenues collected through the second quarter of FY17 as compared to the FY16. The HURF has currently received \$9,235 more revenue at this point than in FY 16. Table G is a comparison of revenues compared to the FY 17 budget. As of the end of the second quarter, direct HURF revenues are projected to under realize the budget forecast by \$14,855. 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.

HURF EXPENDITURES

Table F shows the second quarter FY 17 YTD HURF expenditures compared to FY 16. Of the \$87,360 expended YTD, \$43,413 or 49.7% is for salaries and benefits with the remainder for operational costs. HURF expenditures are \$27,263 higher than they were this time last year. Table H compares second quarter YTD to the budget. Total HURF expenditures are projected to finish under budget projections by \$141,051. As is the case with the General Fund, HURF expenditures fluctuate throughout the year. At this rate however, HURF should finish the year within budget.

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 December 31, 2016. Overall the Town has \$5.7 million in Compass Bank accounts and the LGIP. As of December, approximately \$1.2 million of the HURF Fund LGIP account will be transferred to the General Fund account where the Town will then have over \$4 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 2ND QTR YTD REVENUE COMPARED TO YTD FY 16			
	FY 17	FY 16	VARIANCE
Town Sales Tax	791,051	706,909	84,142
Utility Franchise Fees	113,370	112,728	642
Occupational License	16,274	15,210	1,064
Building Permits	17,248	16,408	841
Audit Payments-Town Sales Tax	-	935	(935)
Urban Revenue Sharing	404,785	370,591	34,194
State Sales Tax	289,968	281,697	8,271
Vehicle License Tax	127,231	110,863	16,367
Recreation Fees	1,708	1,525	183
Library Revenue	453	619	(167)
Court Enhancement Fund	4,181	7,334	(3,154)
Judicial Collection Enhancement	492	674	(182)
Court Revenue	22,307	22,187	120
Court/Fill-the-Gap	330	430	(100)
Interest/Local Govt Inv Pool	5,170	1,942	3,227
Interest-Englewood Dev	2,271	2,008	263
Agua Fria Ranch CFD O&M	8,361	15,105	(6,744)
Donations	10,750	1,000	9,750
Miscellaneous*	14,842	9,712	5,130
AFR HOA Water Lease*	6,452	11,763	(5,312)
Total Revenue	1,837,244	1,689,642	147,602
*In FY 16, AFR HOA Water Lease was included in Miscellaneous. It has been moved manually for comparison purposes.			



TABLE B

GENERAL FUND 2ND QTR YTD EXPENDITURES COMPARED TO YTD FY 16			
	FY 17	FY 16	VARIANCE
GENERAL GOVERNMENT	558,953	453,473	(105,480)
PARKS	97,092	84,858	(12,234)
COURT	89,040	91,585	2,545
BUILDINGS	84,699	126,972	42,273
LIBRARY	63,045	55,637	(7,408)
COMMUNITY DEVELOPMENT	51,185	42,894	(8,291)
PUBLIC SAFETY	723,031	513,301	(209,730)
TOTAL EXPENDITURES	1,667,045	1,368,719	(298,326)



TABLE C

GENERAL FUND 2ND QTR YTD REVENUE COMPARED TO BUDGET				
	ACTUAL YTD	BUDGET	YEAR-END ESTIMATE	VARIANCE ESTIMATE VS BUDGET
Town Sales Tax	791,051	1,579,967	1,626,782	46,815
Utility Franchise Fees	113,370	200,000	226,740	26,740
Occupational License	16,274	30,000	32,548	2,548
Building Permits	17,248	30,000	34,497	4,497
Audit Payments-Town Sales Tax	-	24,000	-	(24,000)
Urban Revenue Sharing	404,785	809,570	809,570	-
State Sales Tax	289,968	622,852	587,990	(34,862)
Vehicle License Tax	127,231	257,091	255,000	(2,091)
Recreation Fees	1,708	6,130	3,416	(2,714)
Library Revenue	453	1,300	906	(394)
Court Enhancement Fund	4,181	22,000	8,361	(13,639)
Judicial Collection Enhancement	492	1,542	1,500	(42)
Court Revenue	22,307	56,000	44,614	(11,386)
Court/Fill-the-Gap	330	800	660	(140)
Interest/Local Govt Inv Pool	5,170	5,220	10,339	5,119
Interest-Englewood Dev	2,271	5,968	5,291	(677)
Agua Fria Ranch CFD O&M	8,361	20,948	20,948	-
Donations	10,750	9,100	10,750	1,650
Miscellaneous	14,842	4,000	14,842	10,842
AFR HOA Water Lease	6,452	17,000	17,000	-
Sale/Rental Town Property	-	1,020	-	(1,020)
Total Revenue	1,837,244	3,704,508	3,711,754	7,246

TABLE D

GENERAL FUND 2ND QTR YTD EXPENDITURES COMPARED TO BUDGET				
	ACTUAL YTD	BUDGET	YEAR-END ESTIMATE	VARIANCE ESTIMATE VS BUDGET
GENERAL GOVERNMENT*	558,953	1,171,370	1,117,906	53,464
PARKS	97,092	185,501	185,501	-
COURT	89,040	179,228	178,080	1,148
BUILDINGS	84,699	239,281	169,398	69,883
LIBRARY	63,045	132,638	126,090	6,548
COMMUNITY DEVELOPMENT	51,185	188,049	102,369	85,680
PUBLIC SAFETY	723,031	1,226,427	1,213,039	13,388
TOTAL EXPENDITURES	1,667,045	3,322,494	3,092,383	230,111
*The Budget is reduced by \$1,242,153 for unspent PSPRS liability and contingency to give a more accurate illustration.				

TABLE E

HIGHWAY USER REVENUE FUND 2ND QTR YTD REVENUE COMPARED TO YTD FY 16			
	FY 17	FY 16	VARIANCE
Highway User Revenue	195,682	189,886	5,795
RPTA Grants	1,934	1,143	791
Interest/Local Govt Inv Pool	3,690	1,041	2,649
Total Revenue	201,306	192,071	9,235

TABLE F

HIGHWAY USER REVENUE FUND 2ND QTR YTD EXPENDITURES COMPARED TO YTD FY 16			
	FY 17	FY 16	VARIANCE
PERSONNEL	43,413	39,475	(3,939)
OPERATIONS	43,947	20,623	(23,324)
Total Expenditure	87,360	60,097	(27,263)

TABLE G

HIGHWAY USER REVENUE FUND 2ND QTR YTD REVENUE COMPARED TO BUDGET				
	ACTUAL YTD	BUDGET	YEAR-END ESTIMATE	VARIANCE ESTIMATE VS BUDGET
Highway User Revenue	195,682	415,944	401,089	(14,855)
RPTA Grants	1,934	18,527	18,527	-
Interest/Local Govt Inv Pool	3,690	612	7,380	6,768
Total Revenue	201,306	435,083	426,996	(8,087)

TABLE H

HIGHWAY USER REVENUE FUND 2ND QTR YTD EXPENDITURES COMPARED TO BUDGET				
	ACTUAL YTD	BUDGET	YEAR-END ESTIMATE	VARIANCE ESTIMATE VS BUDGET
PERSONNEL	43,413	89,181	86,827	2,354
OPERATIONS*	43,947	326,590	187,893	138,697
TOTAL EXPENDITURES	87,360	415,771	328,411	141,051
*The Budget is reduced by \$60,156 for unspent contingency to give a more accurate illustration.				



TABLE I

All Youngtown accounts as of December 31, 2016	
Compass Bank Accounts	
Court*	\$ 13,961
Court Enhancement*	\$ 83,947
Fill the Gap*	\$ 5,987
General Fund***	\$ 890,611
Judicial Collection Enhancement Fund*	\$ 20,551
RICO (Police Confiscated Assets)**	\$ 11,615
Total	\$ 1,026,673
* Restricted to Court purposes	
** Restricted to Law Enforcement purposes	
*** Contains an inaccurate disbursement	
State Treasury (LGIP Accounts)	
Agua Fria Ranch Fee Fund*	\$ 563,985
Agua Fria Ranch CFD*	\$ 240,430
General***	\$ 2,005,248
Highway User Revenue Fund**	\$ 1,690,441
Impact Fees*	\$ 85,576
Library Improvement Fund*	\$ 109,926
Total	\$ 4,695,606
* Restricted to specific expenditures	
** Approximately \$1M will be transferred to GF	
*** Contains grants and Street Lighting Districts	