



Pre-Audit Financial Update

June 30, 2016

October 17, 2016



Agenda: Funds to be Reviewed

- What is Fund Accounting?
 - Brief overview
- Critical Funds Budget-to-Actual
 - How did the fund perform?
 - Reasons for variances
 - Focus on operating funds
- Policy Lessons
 - What works?



General Fund

- What is the General Fund?
 - Largest of the City's funds
 - Accounts for all financial resources except those required to be accounted for in other funds

| | | |
|--------------|--|-------------|
| Revenue | Budget | 56,261,530 |
| | Actual | 58,032,479 |
| | \$ Above/(Below) Budget | 1,770,949 |
| | % Above/(Below) Budget | 3.15% |
| Expenditures | Budget | 61,194,450 |
| | Actual | 53,271,038 |
| | \$ Above/(Below) Budget | (7,923,412) |
| | % Above/(Below) Budget | -12.95% |
| Fund Balance | 07/01/2015 Beginning Unassigned Fund Balance | 7,521,330 |
| | FY 2016 Contributions | 4,761,441 |
| | | |
| | Estimated Assignments | 4,002,636 |
| | 06/30/2016 Ending Unassigned Fund Balance | 8,280,135 |

- Reasons for Variance
 - Revenue
 - Conservative budgeting
 - Sales tax 6.35% above PY
 - \$1.5 million
 - Expenditure
 - Contingency \$2.8 M
 - Incentive rebates \$1 M
- Assignments
 - \$4 Million



General Fund-Historic Performance

| | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | |
|---|----------------|----------------|----------------|----------------|----------------|--------------|
| Revenue | 41,624,987 | 44,755,900 | 48,099,620 | 51,286,265 | 55,723,172 | |
| % of Total Budget | 102.42% | 107.02% | 102.68% | 103.28% | 104.93% | |
| Expenditures | 44,894,196 | 38,589,967 | 47,356,946 | 50,141,120 | 53,272,761 | |
| % of Total Budget | 92.06% | 87.76% | 88.19% | 91.03% | 86.22% | |
| | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 | Total |
| Fund Balance Increase/(Decrease) | (3,269,209) | 6,165,933 | 742,674 | 1,145,145 | 2,450,411 | 7,234,954 |



HURF Fund

- What is the HURF Fund?
 - Highway User Revenue Fund-special revenue fund
 - Accounts for fuel excise taxes
 - Distributed to cities based upon gasoline sales and population
 - Required to be spent on highways and streets

| | | |
|--------------|--|-----------|
| Revenue | Budget | 4,809,250 |
| | Actual | 4,954,383 |
| | \$ Above/(Below) Budget | 145,133 |
| | % Above/(Below) Budget | 3.02% |
| Expenditures | Budget | 4,673,650 |
| | Actual | 3,804,290 |
| | \$ Above/(Below) Budget | (869,360) |
| | % Above/(Below) Budget | -18.60% |
| Fund Balance | 07/01/2015 Beginning Unassigned Fund Balance | 4,980,995 |
| | FY 2016 Contributions | 1,150,093 |
| | 06/30/2016 Ending Unassigned Fund Balance | 6,131,088 |

- Reasons for Variance
 - Budget
 - Structural Surplus \$136,000
 - Expenditure
 - Contingency \$250,000
 - Electricity \$155,000
 - Personnel \$91,000



Dedicated Sales Tax Fund

- What is the Dedicated Sales Tax Fund?
 - Approved in 2001 by voter referendum-special revenue fund
 - ½ cent on each \$1 spent
 - Required to be spent on water/sewer/streets/transportation

| | | |
|--------------|--|-----------|
| Revenue | Budget | 6,852,850 |
| | Actual | 7,019,352 |
| | \$ Above/(Below) Budget | 166,502 |
| | % Above/(Below) Budget | 2.43% |
| Expenditures | Budget | 6,354,000 |
| | Actual | 6,354,550 |
| | \$ Above/(Below) Budget | 550 |
| | % Above/(Below) Budget | 0.01% |
| Fund Balance | 07/01/2015 Beginning Unassigned Fund Balance | 1,715,514 |
| | FY 2016 Contributions | 664,802 |
| | 06/30/2016 Ending Unassigned Fund Balance | 2,380,316 |

- No Variance
 - Currently, funds used to pay infrastructure bond debt service



Public Safety Sales Tax Fund

- What is the Public Safety Sales Tax Fund?
 - Approved in 2003 by voter referendum-special revenue fund
 - ½ cent on each \$1 spent
 - Required to be spent on increased public safety services

| | | |
|--------------|--|-----------|
| Revenue | Budget | 6,863,600 |
| | Actual | 7,038,164 |
| | \$ Above/(Below) Budget | 174,564 |
| | % Above/(Below) Budget | 2.54% |
| Expenditures | Budget | 6,253,480 |
| | Actual | 5,508,876 |
| | \$ Above/(Below) Budget | (744,604) |
| | % Above/(Below) Budget | -11.91% |
| Fund Balance | 07/01/2015 Beginning Unassigned Fund Balance | 6,033,100 |
| | FY 2016 Contributions | 1,529,288 |
| | 06/30/2016 Ending Unassigned Fund Balance | 7,562,388 |

- Reason for Variance

- Budget

- Budgetary Surplus \$610,000

- Expenditures

- Contingency \$445,000

- FY 2017 Impact

- Budgetary Deficit \$679,207



Water Fund-Budgetary Basis

- What is the Water Fund?
 - Enterprise fund accounting for all operations and capital
 - Sustained by rates and fees

| | | |
|--------------|--|--------------|
| Revenue | Budget | 22,300,390 |
| | Actual | 16,661,850 |
| | \$ Above/(Below) Budget | (5,638,540) |
| | % Above/(Below) Budget | -25.28% |
| Expenses | Budget | 23,266,040 |
| | Actual | 12,414,601 |
| | \$ Above/(Below) Budget | (10,851,439) |
| | % Above/(Below) Budget | -46.64% |
| Fund Balance | Adjusted Revenue | 16,661,850 |
| | Adjusted Expenses | 12,414,601 |
| | Change in Net Position - Budgetary Basis | 4,247,249 |

- Reasons for Variance

- Revenue
 - Development Fees \$2.5 M
 - Bond Issue \$4 M
- Expenses (Capital)
 - Wellhead Treatment \$2 M
 - McDowell (El Mirage/Avondale) \$0.5 M
 - Rio Vista Waterline \$1.4 M
 - Water Rights \$2 M



Sewer Fund-Budgetary Basis

- What is the Sewer Fund?
 - Enterprise fund accounting for all operations and capital
 - Sustained by rates and fees
 - Infrastructure sales tax-minimal transfers

| | | |
|--------------|--|-------------|
| Revenue | Budget | 21,341,550 |
| | Actual | 11,396,853 |
| | \$ Above/(Below) Budget | (9,944,697) |
| | % Above/(Below) Budget | -46.60% |
| Expenses | Budget | 13,165,900 |
| | Actual | 7,224,302 |
| | \$ Above/(Below) Budget | (5,941,598) |
| | % Above/(Below) Budget | -45.13% |
| Fund Balance | Adjusted Revenue | 11,396,853 |
| | Adjusted Expenses | 7,224,302 |
| | Change in Net Position - Budgetary Basis | 4,172,551 |

- Reasons for Variance

- Revenue
 - Bond Issue \$9 M
- Expenses
 - WRF Improvement Project \$2.9 M
 - Contingency \$1 M
 - Reclamation Facility \$0.2 M



Sanitation Fund-Budgetary Basis

- What is the Sanitation Fund?
 - Enterprise fund accounting for all operations and capital
 - Sustained by rates and fees

| | | |
|--------------|--|-------------|
| Revenue | Budget | 6,070,360 |
| | Actual | 6,040,996 |
| | \$ Above/(Below) Budget | (29,364) |
| | % Above/(Below) Budget | -0.48% |
| Expenses | Budget | 7,173,560 |
| | Actual | 4,414,120 |
| | \$ Above/(Below) Budget | (2,759,440) |
| | % Above/(Below) Budget | -38.47% |
| Fund Balance | Adjusted Revenue | 6,040,996 |
| | Adjusted Expenses | 4,414,120 |
| | Change in Net Position - Budgetary Basis | 1,626,876 |

- Reasons for Variance
 - Expenses
 - Contingency \$0.5 M
 - Communications Equipment \$0.18 M
 - Sanitation Vehicles \$1.7 M



Policy Lessons - What Works?

- Contingency
 - Correctly sized for volatility of revenue
 - Size of fund
- Capital Planning
 - Issuance of debt/cash flow
- Stabilization Funds
 - General Fund 35% of prior year expenditures
 - 25% Emergencies
 - 10% “Rainy Day” Reserve
 - Unexpected shortfalls/budget deficits



Questions?