

Third Quarter FY 2018 Financial Report

| Category | Current Year (in thousands) | | | | Prior Yr. (in thousands) | | |
|--------------------------------|-----------------------------|---------------|----------------|------------|--------------------------|----------------|------------|
| | FY18 Adp. | FY18 Amd. | Actual 3/31/18 | % Amd. | FY17 Actual | Actual 3/31/17 | % Act. |
| GENERAL FUND | | | | | | | |
| <i>Revenue</i> | | | | | | | |
| Property Taxes | 40,867 | 41,467 | 40,803 | 98% | 40,106 | 39,442 | 98% |
| From Other Gov't. | 19,864 | 20,314 | 13,544 | 67% | 20,599 | 13,121 | 64% |
| Fines /Forfeitures | 1,243 | 1,243 | 1,035 | 83% | 1,267 | 921 | 73% |
| Use of Money/Property | 1,302 | 1,302 | 851 | 65% | 1,442 | 645 | 45% |
| Charges for Services | 6,763 | 6,783 | 5,694 | 84% | 6,817 | 4,969 | 73% |
| Licenses/Permits | 2,875 | 2,875 | 2,092 | 73% | 2,927 | 2,260 | 77% |
| Other Revenue | 6,775 | 7,129 | 5,227 | 73% | 6,725 | 4,883 | 73% |
| Total Revenue (\$) | 79,690 | 81,113 | 69,247 | 85% | 79,883 | 66,240 | 83% |
| <i>Expenditures</i> | | | | | | | |
| Personnel | 48,842 | 48,936 | 35,644 | 73% | 45,793 | 34,143 | 75% |
| Operating | 13,692 | 13,927 | 8,561 | 61% | 12,681 | 8,193 | 65% |
| Capital Outlay | 2,429 | 2,989 | 1,087 | 36% | 2,665 | 1,190 | 45% |
| Other | 1,881 | 1,902 | 1,203 | 63% | 3,040 | 1,570 | 52% |
| CIP Transfer | 6,600 | 11,500 | 4,950 | 43% | 12,115 | 8,733 | 72% |
| Transfers Out | 6,246 | 6,246 | 4,685 | 75% | 6,229 | 4,672 | 75% |
| Total Expenditures (\$) | 79,690 | 85,500 | 56,129 | 66% | 82,523 | 58,501 | 71% |

General Fund Summary

General Fund revenues remain above targets and are expected to exceed the amended budget.

Staff anticipates operating savings due to lower than planned electricity usage and costs and general underspending on supplies and services.

The amended CIP transfer includes a large addition from the February budget amendment for several Recreation and Parks program area projects. That additional transfer amount will be processed in the 4Q.

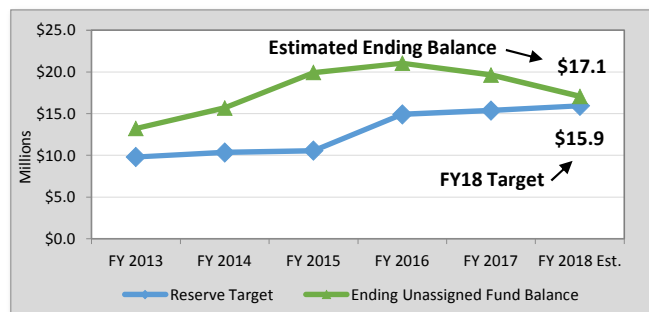
General Fund Unassigned Fund Balance

The estimated ending FY18 unassigned fund balance equals \$17.1 million. This estimate includes an addition to fund balance of \$1.5 million due to strong revenues and operating savings, of which \$0.4 million will be committed to fund a retiree COLA in FY19.

City Manager Contingency Status

Per the City's Financial Management Policies, contingency funds are available for unanticipated, unbudgeted expenditures of a non-recurring nature and/or unexpected cost increases.

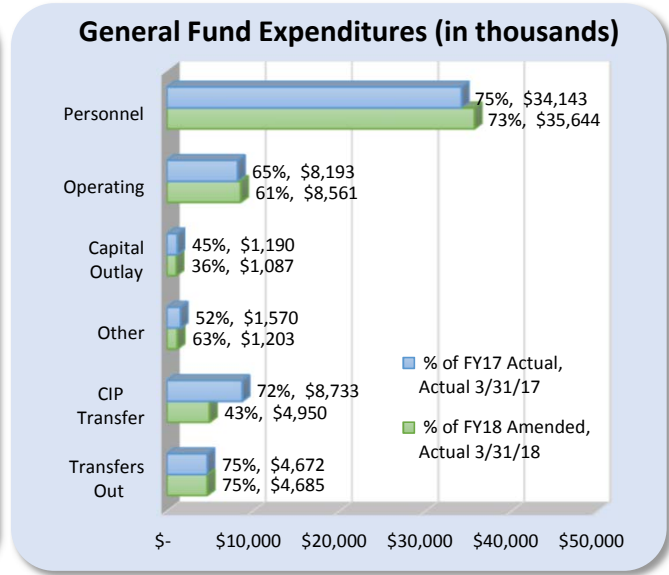
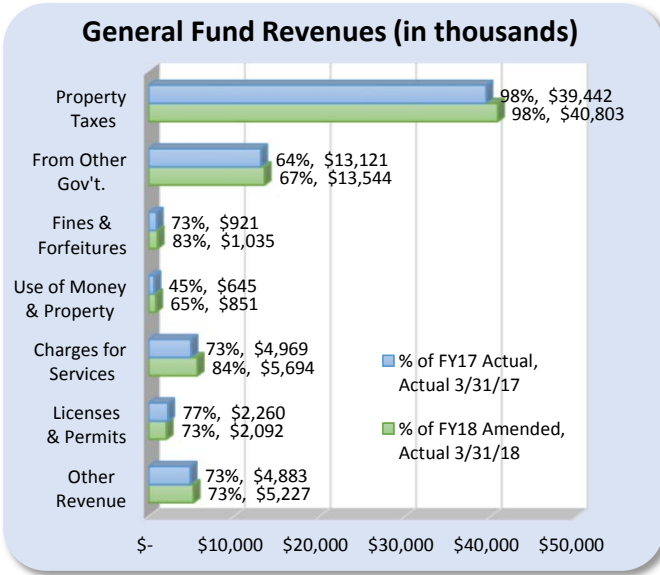
| City Manager Contingency Usage through 3Q | Amount |
|--|---------------|
| Adopted FY18 City Manager Contingency | 350,000 |
| Temp staffing for Skate Park | (20,000) |
| Brick repair work at Chestnut Lodge | (12,174) |
| Netting extension at RedGate Golf Course | (18,700) |
| Replacement security equipment, Rockcrest Ballet Ctr. | (7,461) |
| Impact fee study (parkland acquisition) | (5,000) |
| Police staffing study | (58,100) |
| Temp staffing for IT | (19,300) |
| IT consulting services | (81,800) |
| Emergency water pipe repair, Swim Center | (8,400) |
| King Farm Farmstead utility study | (2,770) |
| Expanded Town Square concert series | (16,500) |
| Peace Day funding | (2,900) |
| Legal fees related to sign ordinance | (40,000) |
| Repair related to prior City infrastructure installation | (17,500) |
| Temp staffing for CC/DCO office | (19,395) |
| FY18 Contingency Remaining (\$) | 20,000 |



Unspent Personnel Funds

Unspent funds related to vacant General Fund positions are tracked and reported quarterly, along with any uses of these funds. In addition to vacancy-related costs, these funds can be used for weather-related needs such as snow removal or for special projects approved by the City Manager and/or Mayor and Council.

| Unspent Personnel Funds | 3Q Only | YTD FY18 |
|---|----------------|----------------|
| Gross unspent funds from vacancies: | 296,097 | 985,027 |
| Less vacancy-related costs | (114,547) | (260,077) |
| Net Unspent Funds | 181,550 | 724,950 |
| <i>Uses of Net Unspent Funds</i> | | |
| CM recruitment, relocation | (6,915) | (6,915) |
| CM recruitment, temp. housing | (12,500) | (12,500) |
| Police Chief recruitment | - | (24,500) |
| CPDS Director recruitment | (20,800) | (20,800) |
| Net Unspent Funds Remaining (\$) | 141,335 | 660,235 |



General Fund Revenues by Category

Property Taxes totaled \$40.8 million for 3Q, or 98% of the amended budget. The majority of property tax revenue is received in 2Q. Personal property tax revenue estimates were increased on the February budget amendment by \$600,000.

Revenue **From Other Governments** totaled \$13.5 million for 3Q. The largest revenue source within this category is income tax, which totaled \$8 million for 3Q, compared with \$7.5 million in FY17. Income tax estimates were increased on the February budget amendment by \$420,000.

Revenue from **Fines & Forfeitures** totaled \$1 million for 3Q. Revenue from redlight camera citations, which is 13% higher than 3Q FY17, makes up the largest portion of this category.

Use of Money & Property revenue totaled \$0.9 million for 3Q. This category includes interest earnings, which have increased 130% compared to the same time period in FY17.

Charges for Services revenue totaled \$5.7 million for 3Q, up from \$5 million in FY17 primarily due to increases in revenue from public works permits.

Licenses & Permits revenue totaled \$2.1 million for 3Q, compared to \$2.3 million in FY17. This apparent decrease is due to the timing of rental license payments, as some larger payments were received after the close of the 3Q. This revenue source is on track to meet budgeted estimates.

Other Revenue totaled \$5.2 million in 3Q, compared with \$4.9 million in FY17. The largest difference in this category from FY17 to FY18 is the receipt of \$0.3 million associated with the Ingleside at King Farm conduit bond issue in FY18.

General Fund Expenditures by Category

Total **Personnel** spending totaled \$35.6 million through 3Q, or 73% of the amended personnel budget.

Operating expenditures totaled \$8.6 million in 3Q. This category includes contractual services, utilities, and supplies. Electricity spending is down 10% compared to FY17. As a result of lower usage and revised rate projections from the City's utility consultant, staff have reduced FY19 electricity estimates from the originally proposed amounts.

Capital Outlay expenditures totaled \$1.1 million for 3Q. This funding covers one-time equipment purchases including vehicle replacements, and varies from year to year based on needs and replacement schedules. Because of the long lead times for many vehicle purchases, it is not uncommon to see the bulk of the spending occur at the end of the year.

Other expenditures totaled \$1.2 million for 3Q. The majority of this category is made up of grant funding the City provides to caregiver and outside agencies.

The **CIP Transfer** totaled \$5 million for 3Q. This category is expended quarterly based on the amended budget. Because of the timing of the 3Q budget amendment, the remaining CIP transfer amount will be processed in the 4Q transfer.

The **Transfers Out** category totaled \$4.7 million for 3Q. This category is expended quarterly based on the amended budget, and includes transfers to the Parking, Debt Service, Refuse (for RHE refuse bills), and Special Activities funds.

| WATER FUND | Current Year (in thousands) | | | | Prior Year (in thousands) | | |
|-----------------------------|-----------------------------|---------------|--------------|------------|---------------------------|--------------|------------|
| | FY18 | FY18 | Actual | % | FY17 | Actual | % |
| | Adp. | Amd. | 3/31/18 | Amd. | Actual | 3/31/17 | Act. |
| Total Revenue (\$) | 13,261 | 13,261 | 7,497 | 57% | 13,105 | 8,300 | 63% |
| <i>Expenses</i> | | | | | | | |
| Personnel | 3,568 | 3,568 | 2,730 | 77% | 3,439 | 2,561 | 74% |
| Operating | 2,084 | 2,105 | 1,277 | 61% | 2,162 | 1,532 | 71% |
| Capital Outlay ¹ | 281 | 281 | 77 | 27% | 93 | 73 | 79% |
| Admin/Other/Interest | 5,943 | 5,943 | 1,715 | 29% | 5,713 | 1,578 | 28% |
| Total Expenses (\$) | 11,876 | 11,897 | 5,800 | 49% | 11,406 | 5,744 | 50% |

Revenue appears low until the end of the year due to the timing of the receipt of quarterly bill payments.

A large portion of Water Fund spending occurs in the CIP. The Mayor and Council received the results of the most recent utility rate study in December 2017. The study produced recommended rates to bring the Water Fund into compliance with the City's Financial Management Policies by FY21.

| SEWER FUND | Current Year (in thousands) | | | | Prior Year (in thousands) | | |
|-----------------------------|-----------------------------|---------------|--------------|------------|---------------------------|--------------|------------|
| | FY18 | FY18 | Actual | % | FY17 | Actual | % |
| | Adp. | Amd. | 3/31/18 | Amd. | Actual | 3/31/17 | Act. |
| Total Revenue (\$) | 13,611 | 13,611 | 7,850 | 58% | 12,621 | 7,630 | 60% |
| <i>Expenses</i> | | | | | | | |
| Personnel | 1,900 | 1,900 | 1,398 | 74% | 1,865 | 1,381 | 74% |
| Operating | 3,882 | 3,884 | 2,552 | 66% | 3,323 | 2,200 | 66% |
| Capital Outlay ¹ | 21 | 21 | 14 | 67% | 235 | 230 | 98% |
| Admin/Other/Interest | 7,351 | 7,351 | 1,745 | 24% | 6,868 | 1,504 | 22% |
| Total Expenses (\$) | 13,153 | 13,156 | 5,709 | 43% | 12,291 | 5,314 | 43% |

Revenue appears low until the end of the year due to the timing of the receipt of quarterly bill payments.

A large portion of Sewer Fund spending occurs in the CIP. The Mayor and Council received the results of the most recent utility rate study in December 2017. The study produced recommended rates to bring the Sewer Fund into compliance with the City's Financial Management Policies by FY23.

| REFUSE FUND | Current Year (in thousands) | | | | Prior Year (in thousands) | | |
|-----------------------------|-----------------------------|--------------|--------------|------------|---------------------------|--------------|------------|
| | FY18 | FY18 | Actual | % | FY17 | Actual | % |
| | Adp. | Amd. | 3/31/18 | Amd. | Actual | 3/31/17 | Act. |
| Total Revenue (\$) | 6,187 | 6,424 | 6,259 | 97% | 6,226 | 5,971 | 96% |
| <i>Expenses</i> | | | | | | | |
| Personnel | 2,753 | 2,753 | 1,934 | 70% | 2,550 | 1,873 | 73% |
| Operating | 2,041 | 2,278 | 1,156 | 51% | 1,709 | 1,077 | 63% |
| Capital Outlay ¹ | 295 | 727 | 313 | 43% | 352 | 295 | 84% |
| Admin/Other/Interest | 2,058 | 2,058 | 1,267 | 62% | 1,975 | 1,239 | 63% |
| Total Expenses (\$) | 7,148 | 7,816 | 4,671 | 60% | 6,586 | 4,483 | 68% |

The Refuse Fund encountered operational changes during FY18 that necessitated new contracts for both processing and hauling of recyclable materials. Staff is reviewing the impacts these new contracts will have on the Fund, and will incorporate any known impacts into the five year forecast and future rate setting of the Fund.

¹Capital outlay purchases with useful lives of more than five years are capitalized and depreciated in accordance with Generally Accepted Accounting Principles (GAAP). The City's financial statements reflect this adjustment, whereas this report shows the actual expense. As a result, the prior year actuals shown on this report in enterprise funds with qualifying capital purchases will differ from the financial statements in the amount of the cost of any capitalized assets.

| SWM FUND | Current Year (in thousands) | | | | Prior Year (in thousands) | | |
|-----------------------------|-----------------------------|--------------|--------------|------------|---------------------------|--------------|------------|
| | FY18 | FY18 | Actual | % | FY17 | Actual | % |
| | Adp. | Amd. | 3/31/18 | Amd. | Actual | 3/31/17 | Act. |
| Total Revenue (\$) | 5,465 | 5,465 | 5,395 | 99% | 5,873 | 5,448 | 93% |
| <i>Expenses</i> | | | | | | | |
| Personnel | 2,295 | 2,295 | 1,662 | 72% | 2,134 | 1,581 | 74% |
| Operating | 745 | 772 | 372 | 48% | 631 | 364 | 58% |
| Capital Outlay ¹ | 0 | 0 | 0 | 0% | 159 | 137 | 87% |
| Admin/Other/Interest | 1,858 | 1,858 | 699 | 38% | 1,593 | 647 | 41% |
| Total Expenses (\$) | 4,897 | 4,924 | 2,733 | 56% | 4,517 | 2,729 | 60% |

The SWM utility fee is collected through property tax bills, with the majority of the revenue being received in 2Q.

A large portion of SWM Fund spending occurs in the CIP. The accumulated balance of revenues in excess of expenses fund SWM CIP projects.

| PARKING FUND | Current Year (in thousands) | | | | Prior Year (in thousands) | | |
|-----------------------------|-----------------------------|--------------|--------------|------------|---------------------------|--------------|------------|
| | FY18 | FY18 | Actual | % | FY17 | Actual | % |
| | Adp. | Amd. | 3/31/18 | Amd. | Actual | 3/31/17 | Act. |
| Total Revenue (\$) | 2,522 | 2,522 | 1,835 | 73% | 2,256 | 1,743 | 77% |
| <i>Expenses</i> | | | | | | | |
| Personnel | 306 | 306 | 217 | 71% | 248 | 192 | 77% |
| Operating | 114 | 114 | 39 | 34% | 73 | 44 | 59% |
| Capital Outlay ¹ | 0 | 9 | 9 | 100% | 25 | 0 | 0% |
| Admin/Other/Interest | 1,669 | 1,669 | 758 | 45% | 1,729 | 649 | 38% |
| Total Expenses (\$) | 2,089 | 2,098 | 1,023 | 49% | 2,075 | 885 | 43% |

Revenue from parking meter violations through 3Q increased compared to the same period last year, but still only totaled 50% of budgeted revenue. This revenue source has declined since patrons have been able to pay for parking using mobile devices.

Starting in FY19, the General Fund subsidy will increase to \$1.1 million to offset the decrease in citation revenues.

Capital Improvements Program (CIP) Transfers, All Funds

The City's Financial Management Policies allow the City Manager to approve transfers of unspent project appropriations between capital projects within the same fund. These transfers will always net to zero, as any change in total appropriation by fund must be approved by the Mayor and Council through an appropriations ordinance. Any transfers between projects during the reporting period are shown below.

| 3Q CIP Transfers | Amount (\$) | Fund | Reason for Transfer |
|---|-------------|------|---------------------|
| There were no CIP transfers in 3Q FY18. | - | | |

¹Capital outlay purchases with useful lives of more than five years are capitalized and depreciated in accordance with Generally Accepted Accounting Principles (GAAP). The City's financial statements reflect this adjustment, whereas this report shows the actual expense. As a result, the prior year actuals shown on this report in enterprise funds with qualifying capital purchases will differ from the financial statements in the amount of the cost of any capitalized assets.