

City of Flagstaff
Management Services

DATE: May 2, 2012

TO: City of Flagstaff Mayor and Council

THROUGH: Kevin Burke, City Manager

FROM: Rick Tadder, Finance Director

RE: Financial Statement Presentation – 3rd Quarter FY 2012

To promote transparency in all City operations, we are providing City of Flagstaff quarterly financial information through the period ended March 31, 2012. The information contained in this report is not intended to provide a complete picture of any fund, revenue, or expenditure as administered by the City. Rather, this information is provided as an overview of the operational revenues and expenditures along with some relevant narrative information. Exclusion of revenues and expenditure are explained on each report. Many exclusion are related to one-time item such as grants and capital expenditures.

The financial information you have is separated as follows:

- The General Fund – the general operating fund of the City.
- Special Revenue Funds – those funds that have an external designation to account for those funds separately including:
 - Library
 - Highway User Revenue
 - BBB Funds – Beautification, Economic Development, Tourism, Recreation, and Arts and Science
 - Housing and Community Services
 - Metropolitan Planning Organization
- Enterprise Funds – those funds that are considered business enterprises for the City including
 - Utilities (Water & Wastewater)
 - Airport
 - Environmental Services (Solid Waste and Environmental Management)
 - Stormwater
 - Housing Authority (Excluded for this presentation due to separate financial systems)

An illustration is attached to outline the relationships between Funds, Divisions, and Sections.

The development of the Financial Statement presentation to Council is a work in progress, and as such, staff welcomes all comments/requests for the information to be contained in this report to make it useful to the Council and the community.

Should the Council or the community desire to look at detailed information on the City finances, monthly financial reports are on the City website by following the following string:

City website: [Flagstaff.az.gov](http://www.flagstaff.az.gov)

Then select: Departments, Finance & Budget, and Monthly Financial report – Fiscal Year 2012
<http://www.flagstaff.az.gov/index.aspx?nid=164>

Illustration of Relationship between Funds, Divisions, and Sections

DIVISIONS FUNDS	General Administration	Management Services	Community Development	Fire	Police	Public Works	Economic Vitality	Community Enrichment	Utilities	Non-departmental
General Fund	City Manager City Clerk Human Resources Risk Management City Attorney Information Technology Municipal Court	Customer Service Management Services Administration Tax, Licensing & Revenue Finance & Budget	Administration Capital Improvements Development Services Engineering Housing Services	Fire	Police	Administration Parks Fleet Cemetery Facilities Maintenance	Community Investment	Recreation		Council and Commission Contributions Non-departmental
Library						Street Maintenance & Repairs		Library		
Highway User Revenue										
Transportation										Transit 4th Street Overpass Safe to School Safety Improvements
Economic Development							Economic Development Beautification Admin, Streetscapes			
Beautification			Flagstaff Urban Trail System				Convention & Visitors Bureau Visitor Services			
Tourism										
Recreation							Arts & Science			Recreation CIP
Arts & Science										
Real Estate Proceeds										Real Estate Proceeds
Housing and Community Services			Housing and Community Services							
Metropolitan Planning Organization			Metropolitan Planning Organization							
G.O. Bond Fund										G.O. Bond Fund
Secondary Property Tax										Secondary Property Tax
Special Assessment										Special Assessment
Perpetual Care										Perpetual Care
Capital Projects Bond										Capital Projects Bond
Water & Wastewater									Administration Lake Mary Water Treatment Plant Water Distribution Services Booster Stations Wastewater Treatment Plants Wastewater Collection Wastewater Monitoring	
Airport							Airport			
Environmental Services						Environmental Services				Stormwater
Stormwater										
Flagstaff Housing Authority			Flagstaff Housing Authority							

	Through 3/31/2012	Budget Y-T-D 75%	Over / (Under) Budget	Variance	Note
TAX REVENUES:					
Primary Property Tax	\$ 3,384,681	\$ 3,993,750	\$ (609,069)	-15%	1
City Sales Tax	10,992,217	10,333,500	658,717	6%	
Franchise Tax	1,695,443	1,837,500	(142,057)	-8%	2
INTERGOVERNMENTAL REVENUES:					
State Shared Income Tax	4,169,550	4,169,780	(230)	0%	
State Shared Sales Tax	3,391,476	3,525,000	(133,524)	-4%	3
Auto Lieu	1,957,437	1,875,000	82,437	4%	
LICENSES AND PERMITS	1,201,529	742,800	458,729	62%	4
CHARGE FOR SERVICE:					
General Government	102,705	189,206	(86,501)	-46%	5
Recreation	972,483	999,821	(27,338)	-3%	
Public Safety	1,208,642	702,244	506,398	72%	6
Cemetery	96,630	100,013	(3,383)	-3%	
OTHER REVENUES:					
Fines & forfeitures	1,186,825	1,109,978	76,847	7%	
	<u>\$ 30,359,618</u>	<u>\$ 29,578,592</u>	<u>\$ 781,027</u>	3%	

GENERAL FUND REVENUE COMMENTS:

- 1 Property Taxes are collected semi-annually. Second half is received in May.
- 2 The Natural Gas Franchise Tax is paid on a quarterly schedule. We expect this revenue to meet budget expectations.
- 3 Due to the timing of posting the March payment this revenue appears below budget projections. With the additional revenue we are \$272K above the budgeted amount.
- 4 Building and Offsite Permits are thriving due to Campus Crest and Elevation Apartments.
- 5 General Government has \$400K budgeted for Downtown Parking District which will not start this FY.
- 6 Fire Contracts are billed each July and we have already collected more than budgeted.

Revenues: Do not include grants, reimbursements, sale of property, rents, interest income, and miscellaneous revenues.

	Through 3/31/12	Budget Y-T-D	Over / (Under) Budget	Variance	Note
EXPENDITURES:					
General Administration	\$ 5,456,386	\$ 6,347,809	\$ (891,423)	-14%	1
Community Development	2,481,262	2,814,079	(332,817)	-12%	
Management Services	2,039,079	2,288,354	(249,275)	-11%	
Public Safety	17,506,443	18,683,397	(1,176,954)	-6%	2
Public Works	2,799,461	3,671,560	(872,099)	-24%	3
Economic Vitality	156,329	558,566	(402,237)	-72%	4
Community Enrichment	2,174,843	2,366,709	(191,866)	-8%	
Non-Departmental	1,780,720	2,446,233	(665,513)	-27%	5
Total Expenditures	<u>\$ 34,394,523</u>	<u>\$ 39,176,706</u>	<u>\$ (4,782,183)</u>	-12%	

GENERAL FUND EXPENDITURE COMMENTS:

- 1 General Administration is currently under due to three factors: election expenses to be paid in 4th quarter, Court payments for County IGA for warrants and IT Tech, and Information Technology purchase of software and equipment.
- 2 Fire Dept is under due to external charge outs for wild fire support and budgeted grants we have not received. Police are under due to vacancies and budgeted grants we have not received.
- 3 Public Works is under due to Parks which has seasonal expenditures and Fleet which is exceeding it's estimated charge outs and unspent catastrophic event funding.
- 4 Economic Vitality includes \$400K for the Greater Sunnyside Redevelopment study which nothing has been spent to date. There has also been turnover in this section.
- 5 Non-Departmental is under due to timing of payments to agencies, unspent funding for economic development, and the parking district.

Expenditures: Do not include capital expense accounts.

Other Comments:

Granted 0.6% pay restoration effective January 1, 2012. Another 0.6% pay restoration will occurred April 1, 2012.
Sold Aspen Sawmill property.
Authorized expenditure of \$400,000 from contingency for Fire Truck - Quint.
Issued new debt for Public Safety Radios.

This report is not a financial statement. Operational areas are highlighted for information only.

	Through 3/31/2012	Budget Y-T-D 75%	Over / (Under) Budget	Variance	Note
TAX REVENUES:					
BBB Tax	\$ 4,206,190	\$ 3,980,505	\$ 225,685	6%	
Transportation	7,760,075	7,488,886	271,189	4%	
INTERGOVERNMENTAL REVENUES:					
Library District Tax	1,868,820	2,803,230	(934,410)	-33%	1
Library Growth Share	-	1,944,719	(1,944,719)	-100%	2
Highway User Tax	4,150,421	4,350,000	(199,579)	-5%	
	<u>\$ 17,985,506</u>	<u>\$ 20,567,339</u>	<u>\$ (2,581,833)</u>	-13%	

SPECIAL REVENUE FUNDS REVENUE COMMENTS:

- 1 Library District Taxes are received based on collection of property taxes.
- 2 Library Growth Share is a budget basis of accounting to recognized restricted funds. Revenue will be recognized at year end based on allowable expenditures.

Revenues: Do not include grants, reimbursements, sale of property, rents, interest income, and miscellaneous revenues.

	Through 3/31/2012	Budget Y-T-D 75%	Over / (Under) Budget	Variance	Note
EXPENDITURES:					
Library	\$ 2,458,191	\$ 2,813,351	\$ (355,160)	-13%	
Highway User Revenue Fund	2,725,905	3,401,114	(675,209)	-20%	
Transit Fund	1,880,588	3,735,998	(1,855,410)	-50%	1
Beautification Fund	226,746	463,328	(236,582)	-51%	
Economic Development Fund	639,276	1,348,314	(709,038)	-53%	2
Tourism Fund	1,076,166	1,169,818	(93,652)	-8%	
Arts and Science Fund	385,892	499,562	(113,670)	-23%	
Housing and Community Services Fund	1,301,806	2,060,146	(758,340)	-37%	3
Metropolitan Planning Org Fund	345,010	335,725	9,285	3%	
Total Expenditures	<u>\$ 11,039,580</u>	<u>\$ 15,827,354</u>	<u>\$ (4,787,774)</u>	-30%	

SPECIAL REVENUE FUNDS EXPENDITURE COMMENTS:

- 1 The City collect Transit Tax on behalf of NAIPTA. The Transit Fund is used to pay NAIPTA based on request for payments. This would include their capital project expenses that are funding with the Transit Tax.
- 2 Economic Development is under due to a \$1M grant budgeted for a Commerce grant.
- 3 Housing and Community Services Fund is under due to timing of commitments related to CDGB grants, the level of workforce housing incentives provided, and the timing of housing trust fund grants.

Expenditures: Do not include capital expense accounts.

Other Comments:

Granted 0.6% pay restoration effective January 1, 2012. Another 0.6% pay restoration will occur April 1, 2012.
Issued new debt for Street/Utility Improvements.
Re-financed 4th Street Overpass debt service.

This report is not a financial statement. Operational areas are highlighted for information only.

	Through 3/31/2012	Budget Y-T-D 75%	Over / (Under) Budget	Variance	Note
CHARGES FOR SERVICE:					
Water Revenue	\$ 8,793,350	\$ 8,906,300	\$ (112,950)	-1%	
Sewer Revenue	5,654,468	6,105,174	(450,706)	-7%	1
Reclaim Revenue	488,945	639,244	(150,299)	-24%	2
Stormwater Revenue	1,082,348	1,083,669	(1,321)	0%	
Airport Revenue	1,282,715	1,162,651	120,064	10%	
Environmental Svc Revenue	8,657,890	8,824,562	(166,672)	-2%	
	<u>\$ 25,959,716</u>	<u>\$ 26,721,600</u>	<u>\$ (761,884)</u>	-3%	

ENTERPRISE FUNDS REVENUE COMMENTS:

- 1 Sewer revenue were expected to be under budget for the year. This was evident when the Rate Model was reviewed last fall. The Utility Fund has made adjustments accordingly.
- 2 We expect to be under budget in Reclaim revenue due to not having the 5-year plans in sync with the Rate Model. We have completed this and made adjustments accordingly.

Revenues: Do not include grants, reimbursements, sale of property, rents, interest income, and miscellaneous revenues.

	Through 3/31/2012	Budget Y-T-D 75%	Over / (Under) Budget	Variance	Note
EXPENDITURES:					
Water and Sewer Fund	7,413,716	8,681,894	(1,268,178)	-15%	1
Stormwater Fund	519,702	680,693	(160,991)	-24%	2
Airport Fund	780,737	1,292,757	(512,020)	-40%	3
Environmental Services Fund	6,257,855	6,894,029	(636,174)	-9%	4
Total Expenditures	<u>\$ 14,972,010</u>	<u>\$ 17,549,374</u>	<u>\$ (2,577,364)</u>	-15%	

ENTERPRISE FUNDS EXPENDITURE COMMENTS:

- 1 The Water and Wastewater Fund has several item under budget. By category Personal Service are \$300K under (vacancy related), Contractuals are \$750K under and Commodities are \$200K under.
- 2 Stormwater is under due to the annual stormwater maintenance program.
- 3 The Airport Fund is under due to budgeting for the second airline grant.
- 4 The Environmental Services Fund is under primarily due to the accounting practice of charging out landfill costs related to City operations of residential and commercial trash collection.

Expenditures: Do not include capital expense accounts.

Other Comments:

Granted 0.6% pay restoration effective January 1, 2012. Another 0.6% pay restoration will occur April 1, 2012.
Issued new debt for Street/Utility Improvements.

This report is not a financial statement. Operational areas are highlighted for information only.

This report does not include the Flagstaff Housing Authority.