



SURPRISE

ARIZONA

FY2018

Sources and Reserves

City Council Work Session
February 21, 2017

Sources and Reserves

- Discuss reserves
 - Review General Fund reserve recommendation
- Discuss the importance of the General Fund
- Review the General Fund's sources
 - Review the FY2017 financial performance



Reserves

- Comprehensive Financial Management Policies
 - Minimum Fund Balance Policies
- Fund Balance not intended to be spent
 - Ensure the City has adequate resources
 - Draw down requires plan to replenish
 - Use requires Council approval
- Total FY2017 Reserves of \$35.2M

Reserves

■ General Capital Fund	\$1.0M
■ Transportation Improvement	\$0.5M
■ Spring Training Ticket Surcharge	\$0.6M
■ Tourism Fund	\$5,000
■ Risk Management Fund	
Actuarial study	\$0.3M
■ Healthcare Self-Insurance Trust	
25% of expected claims	\$2.2M
■ Streetlight Improvement Districts	5% of expenses

Reserves

- General Fund

Two months (16.67%) of budgeted personnel, supplies, and services expenses of both the General Fund and Highway User Revenue Fund
\$18.2M

- Utility Funds

Two months (16.67%) of budgeted personnel, supplies, and services expenses and 2% of tangible assets
\$12.4M

Reserve Recommendation

- General Fund Reserve
 - Total percentage remains 16.67% of pers, supl, svcs
 - Segment reserve into specific categories
 - Operating Reserve
 - Budget Stabilization Reserve
 - Emergency Reserve
 - Identify purpose of each category
 - Identify timeline to replenish each category

Reserve Recommendation

■ General Fund Reserve

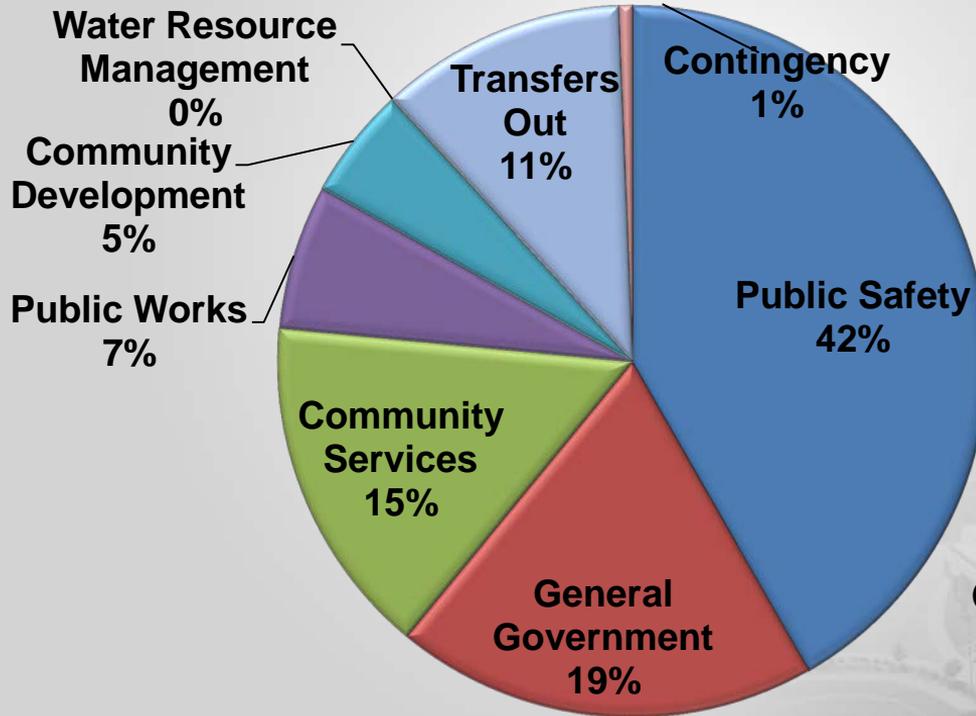
Category	Percent of Pers, Supl, Svcs	Amount based on FY2017 Reserve
Operating Reserve	10.00%	\$ 10.9M
Budget Stabilization Reserve	5.00%	5.5M
Emergency Reserve	1.67%	1.8M
Total Reserve	16.67%	\$ 18.2M

Importance of the General Fund

- Largest operating fund making up:
 - 35% of the total budget
 - 54% of the operations budget
 - 82% of the personnel costs
- Houses centralized functions including:
 - Council, Manager, Attorney, Clerk
 - HR, IT, Finance, PW—Facilities and Fleet
- Can be used for any purpose



Importance of the General Fund



FY2017
General Fund Expenditures
By Category
Total \$114.4 million

Importance of the General Fund

Use Category	General Fund Amount	% funded by GF
Public Safety	\$47.7M	93%
General Government	\$22.1M	42%
Community Services	\$17.8M	73%
Human Services and Community Vitality		28%
Community Recreation Services		83%
Public Works	\$7.5M	14%
Community Development	\$5.8M	97%
Water Resource Management	\$16,600	0.06%

Importance of the General Fund

Transfers Out	Ongoing	One Time
Debt service payments	\$1.4M	-
Asset replacement	-	\$3.6M
Vehicle replacement	\$1.0M	\$2.7M
Pavement preservation*	-	\$0.3M
Capital Improvements Plan projects	-	\$3.8M
Total	\$2.4M	\$10.4M

*Highway User Revenue Fund share is \$1.7M

Importance of the General Fund

■ Ongoing

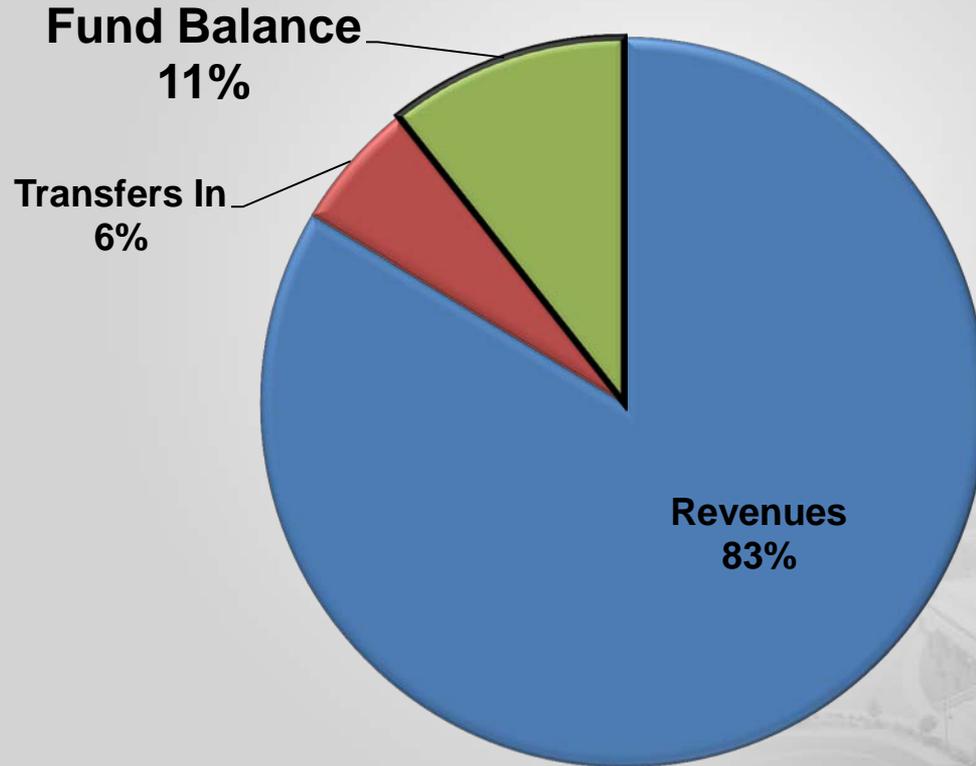
- Consistent, relatively stable
- Planned to occur into the future
- Uses: Operations, Debt Service, Vehicles (\$1.0M)
- Sources: Revenues, Transfers In

■ One Time

- Inconsistent, volatile
- Event-oriented
- Uses: Asset, vehicles, pavement, CIP projects, capital
- Sources: Fund Balance



General Fund Sources



**FY2017 General Fund
Sources by Category
Total: \$114.4 million**

General Fund Sources

- Budget – Amount approved by Council
- Actual – Amount received or spent
- Estimate – Planned amount for the current year
- Projection – Planned amount for next year

General Fund Sources

- Fund Balance

- Sources exceeded Uses in prior fiscal years—Surplus

- Opportunities for additional fund balance exist at:

- FY2016 Actuals vs. Estimate

- FY2017 beginning balance

- FY2017 Estimate vs. Budget



General Fund Sources

	FY2016 Estimate	FY2016 Actual	\$ Variance
Beginning Balance	\$ 38.0M	\$ 38.0M	\$ -
Total Sources	99.1M	100.9M	1.8M
Total Uses	(106.7M)	(97.9M)	8.8M
Ending Balance	\$ 30.4M	\$ 41.0M	\$ 10.6M

General Fund Sources

- Carryforwards – Unused budget moved to the next fiscal year
 - One time, long lead items
 - Projects, Grants

Project	FY2016 Budget	FY2016 Actuals	Remaining Balance*
Greenway Road	\$ 2.4M	\$ 1.9M	\$ 0.5M

***Remaining balance will be the carry forward amount.**

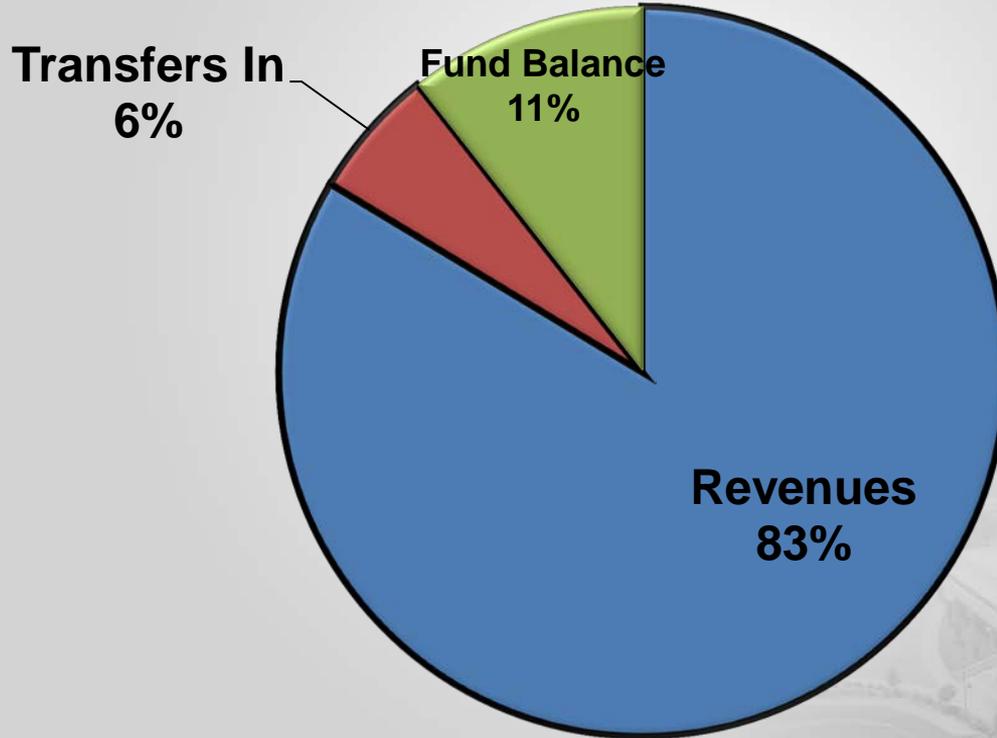
General Fund Sources

	FY2017 Estimate
Ending Balance Variance	\$ 10.6M
General Fund Carryforward	(0.6M)
Vehicle Replacement Carryforward	(1.1M)
Capital Project Carryforward	(5.6M)
Self insure Workers Compensation	(0.8M)
Adjusted Variance	\$ 2.5M

General Fund Sources

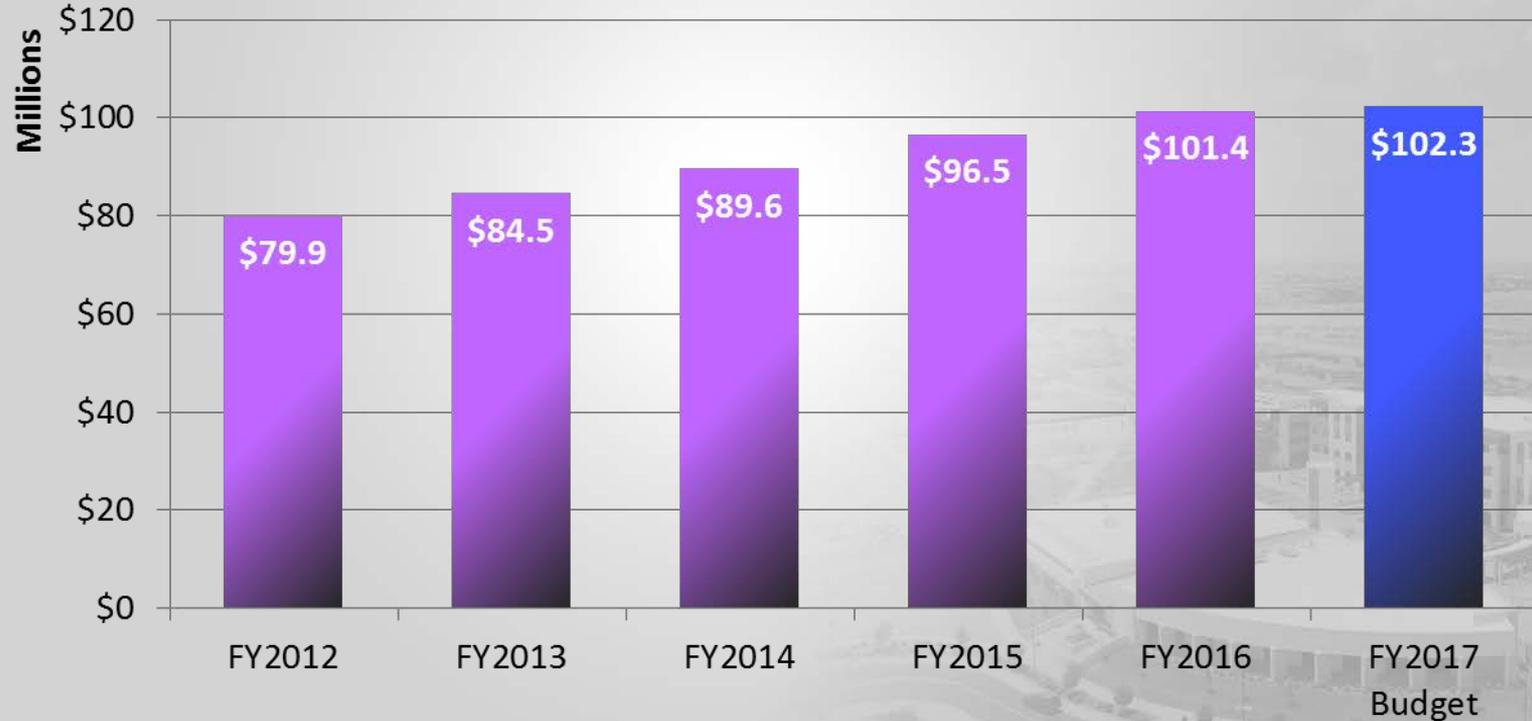
	FY2017 Budget	FY2017 Estimate	\$ Variance
Beginning Balance	\$ 30.4M	\$ 41.0M	\$ 10.6M
Total Sources	102.2M	102.2M	-
Total Uses	(114.4M)	(122.5M)	(8.8M)
Ending Balance	\$ 18.2M	\$ 20.7M	\$ 2.5M

General Fund Sources



**FY2017 General Fund
Sources by Category
Total: \$114.4 million**

General Fund Sources



FY2017 General Fund Sources

Category	YTD Budget	YTD Actual	\$ Variance	% Variance
Local Sales Tax	\$ 16.6	\$ 17.2	\$ 0.6	3.7%
Intergovernmental	13.3	13.6	0.3	2.1%
Charges for Services/Other	4.2	5.0	0.8	18.1%
Property Tax	3.9	3.8	(0.1)	-0.9%
Franchise Fees	2.0	2.3	0.3	15.4%
Transfers In	3.2	3.2	-	-0.1%
Total	\$ 43.2	\$ 45.1	\$ 1.9	4.4%

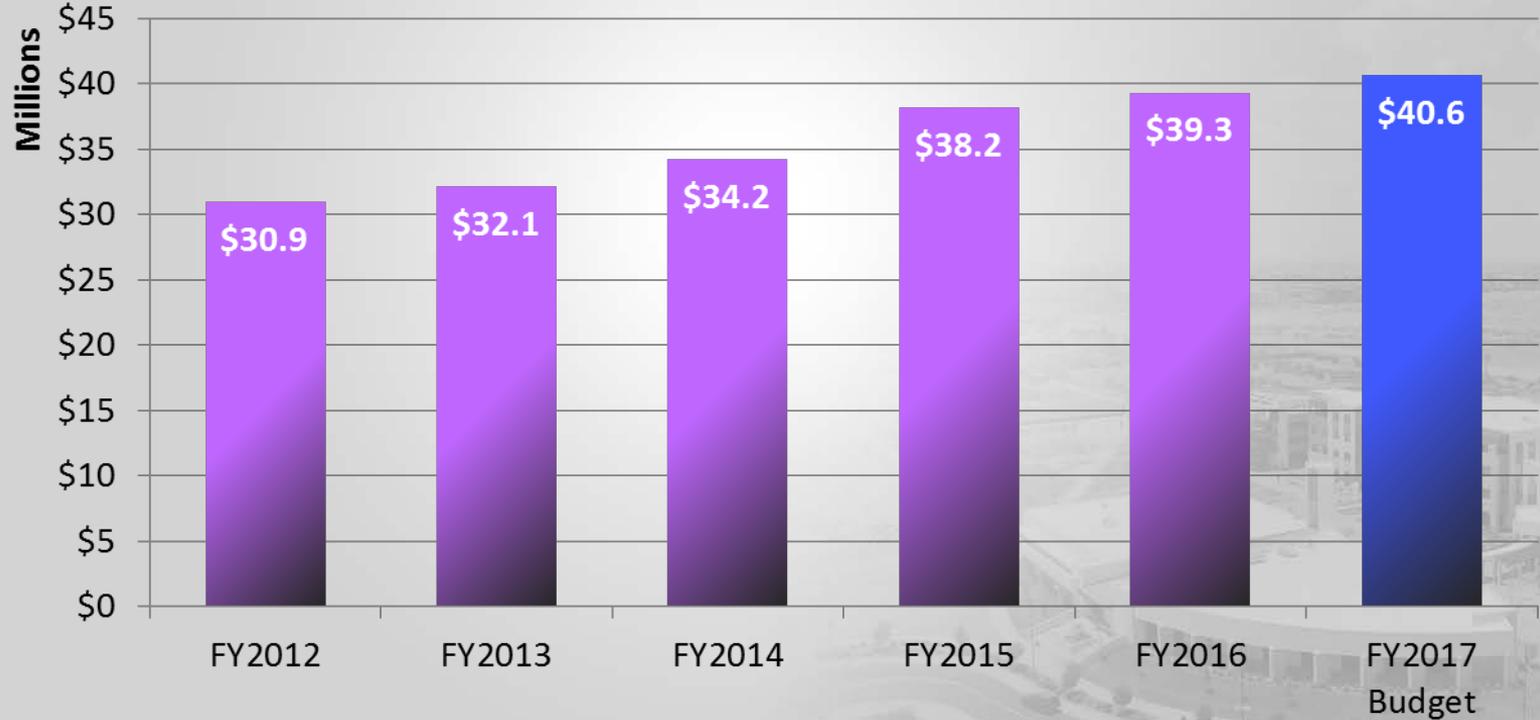
Amounts in millions

General Fund Sources

- Local Sales Tax \$40.6M
 - Transaction Privilege Tax
 - Retail, Restaurants, Entertainment, Utilities
 - Construction sales tax limited to \$1.25M in the General Fund
 - Council Authority- 120 days



Local Sales Tax



Local Sales Tax



- Actuals exceed budget by \$0.6M
 - Collections through November
 - Includes \$1.25M of Construction Sales Tax per policy
 - Bell/Grand Project offset in other locations

General Fund Sources

- Intergovernmental Revenue \$32.5M
 - State-shared Sales Tax, Income Tax, Vehicle License Tax
 - Divided up to cities based on population
 - Subject to change by the State Legislature



Intergovernmental



Intergovernmental



- Actuals exceed budget by \$0.3M
 - Stronger than expected in Vehicle License Tax

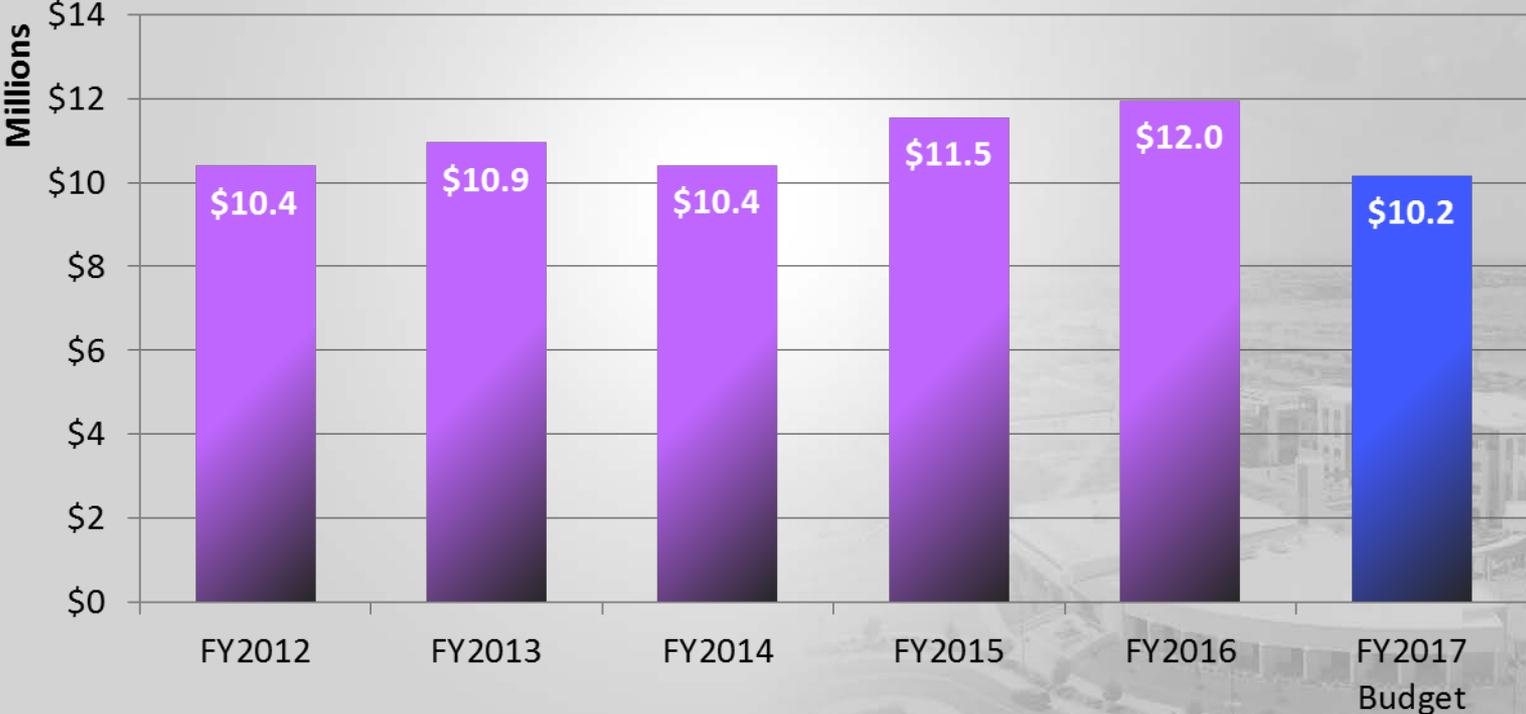
General Fund Sources

- Charges for Services
 - Fees for specific programs
 - Development related fees
 - Set to recover all or part of the costs
 - Council authority-60 days

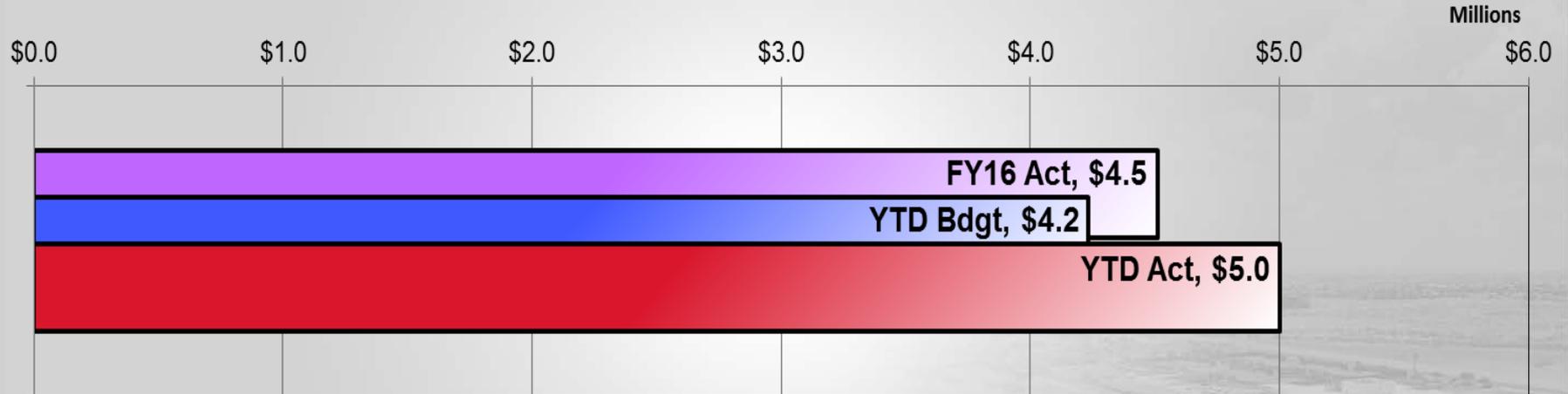
\$10.2M



Charges for Services/Other



Charges for Services/Other



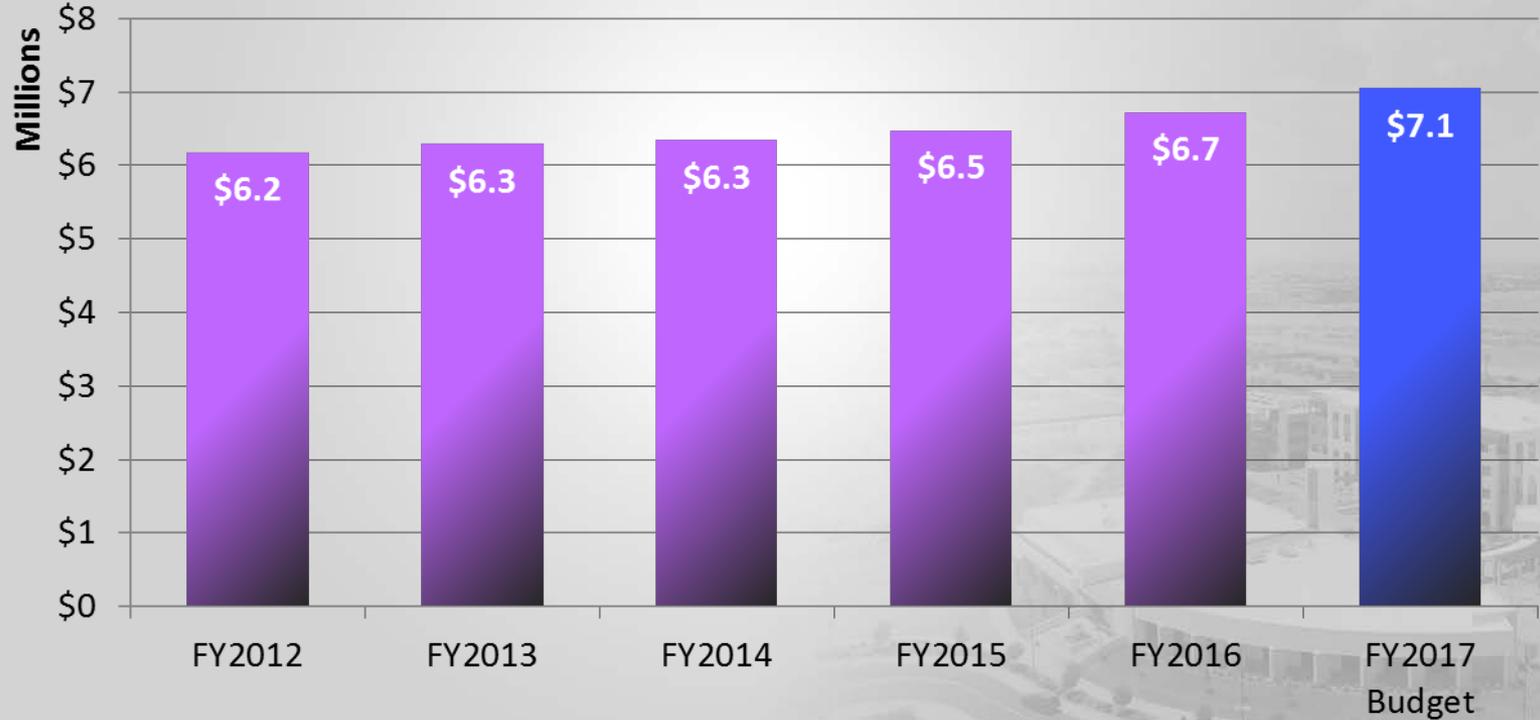
- Actuals exceed budget by \$0.8M
 - Development related (CD/Public Works)

Revenues

- Property taxes \$7.1M
 - Amount based on valuation of property
 - Uncollected amount tied to the property
 - Can be included as a part of home mortgage
 - Primary property tax only in the General Fund
 - Levy amounts and rates adopted annually by Council



Property Tax



Property Tax



- Actuals under budget by \$0.1M
 - Expected to equal budgeted amount by year end

General Fund Sources

■ Property Tax

■ A.R.S. 42-17107

- Truth in Taxation notice requirement for levy increase
 - Notice dates of 5/16 and 5/23
 - Unanimous vote for increase of 15% or more

■ A.R.S. 9-499.05

- 60 days notice requirement for rate increase
 - Notice date of 4/21

General Fund Sources

■ Property Tax

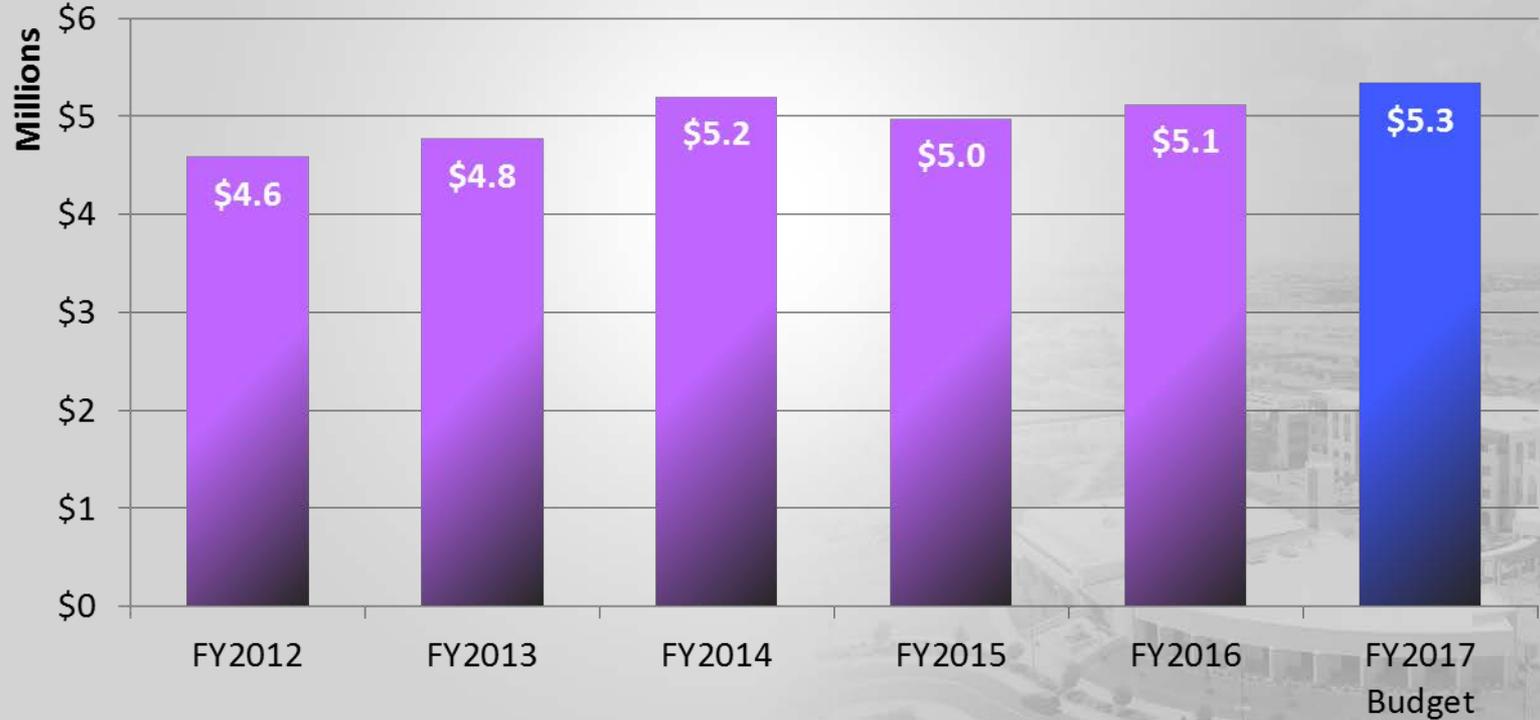
Rate	Levy Amount	Variance	Levy Notice	Rate Notice	Unanimous Adoption
\$0.7317	\$7,163,200	-	No	No	No
\$0.7591	\$7,431,400	\$268,200	Yes	No	No
\$0.8415	\$8,238,100	\$1,074,900	Yes	Yes	No
\$0.9752	\$9,547,000	\$2,383,800	Yes	Yes	Yes

General Fund Sources

- Franchise Fees/Licenses \$5.3M
 - Fee to conduct utility business within the City
 - Cox Communications
 - Southwest Gas
 - Arizona Public Service
 - EPCOR
 - Council authorizes agreement with a utility
 - Business Licenses
 - Council authority-60 days



Franchise Fees



Franchise Fees



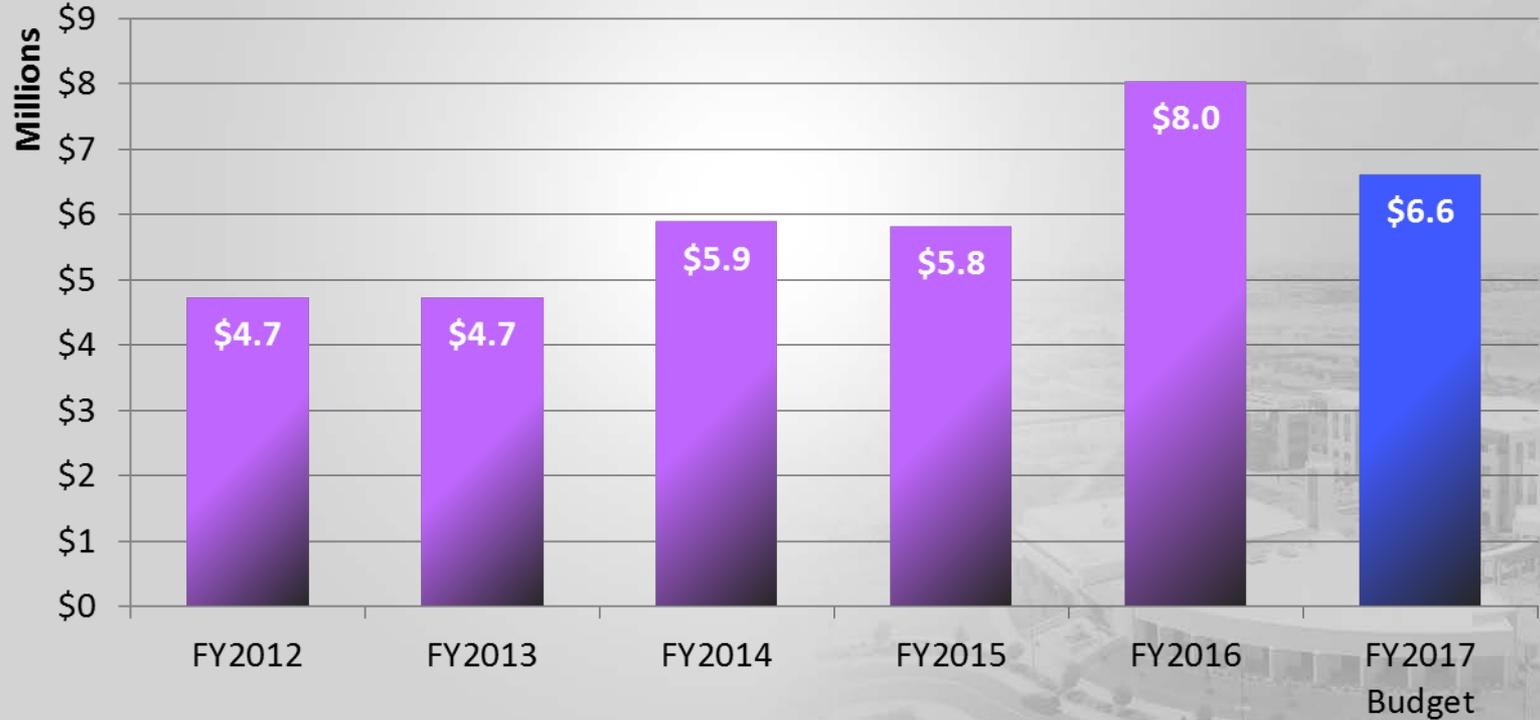
- Actuals exceed budget by \$0.3M
 - Southwest Gas capital revenue

General Fund Sources

- Transfers In \$6.6M
 - Utilities reimburse for
 - Indirect Cost Assessments
 - In-Lieu Property Taxes
 - Hauler's License



Transfers In



Transfers In



- Actuals are slightly under budget
 - Includes transfers from utilities for indirect costs, property tax in-lieu, and franchise fee in-lieu
 - Estimates used for indirect and franchise fee in-lieu

Sources and Reserves

- Reserves
 - General Fund recommendation
- Importance of the General Fund
- General Fund Sources
 - FY2017 Estimates key to determining One Time Uses
 - Performing 4% better than budget
 - Charges for Services
 - Development related fees
 - Property tax rates

Upcoming Calendar

- Work Sessions through March 21
 - Enterprise utilities, Highway User Revenue
 - Capital Improvements, Assets, Vehicles, Pavement

 - City Manager's Recommended Budget April 18
 - Tentative Budget adoption May 2
 - Final Budget adoption June 6
 - Property Tax Levy adoption June 20
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**QUESTIONS OR
COMMENTS?**

Thank You