

Memorandum

TO: Mayor and City Council

FROM: Patrick Goff, City Manager

DATE: August 2, 2019

SUBJECT: Budget Report for the Six Months Ending June 30, 2019

In this document we present the six month budget report based on revenues received and appropriations expended through June 30, 2019. The purpose of this report is to apprise the City's policy makers and Department Directors of the current budgetary status.

General Fund Revenue Analysis of Projected Revenue – Pro-Rated to Historic Average

The City does not receive its revenue evenly throughout the year. In other words, we cannot simply divide total projected revenues for the year by 12 to determine what monthly revenues will be. Each revenue source is unique and is collected by the City on different timeframes. For example, the historic average percentage for sales tax revenues for the first six months of the budget year is 38.8%. This means that, on average, 38.8% of sales tax revenues are received during the first six months of the year and 61.2% are received during the second six months of the year.

As an example from the table on the next page, multiply the historic average percentage for sales tax revenues (38.8%) by the 2019 Projected Revenue (\$20,555,578) which gives you the Pro-Rated Revenues for January to June (\$7,975,564) or what revenues *should* be coming in based on historic averages. Next, compare Pro-Rated Revenues with Actual Revenues for January to June (\$7,682,691) to determine if the revenue source is over or under projections.

In this example, sales tax revenues are \$292,873 under pro-rated revenues or 96% of pro-rated revenues. A pro-rated revenues percentage at or above 100% means the revenues are being collected as projected or are exceeding projections. A pro-rated revenues percentage below 100% means that the revenues being collected are not meeting projections for the first six months of the budget year.

2019 Second Quarter Budget Report

August 2, 2019

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Revenues	2019 Projected Revenue	Pro-Rated Revenues Jan-June	Actual Revenues Jan- June	(Under) Over Pro-Rated Revenues	% Pro-Rated Revenues
Sales Tax	\$20,555,578	\$7,975,564	\$7,682,691	(\$292,873)	96%
Other Taxes	\$3,914,532	\$1,980,753	\$1,755,971	(\$224,782)	89%
Use Taxes	\$4,250,000	\$1,695,750	\$3,043,489	\$1,347,739	179%
Licenses	\$1,637,480	\$712,304	\$792,703	\$80,399	111%
Intergovernmental	\$1,855,932	\$610,602	\$777,677	\$167,075	127%
Services	\$1,425,274	\$711,212	\$664,013	(\$47,199)	93%
Fines & Forfeitures	\$669,400	\$345,410	\$150,525	(\$194,885)	44%
Other	\$1,253,990	\$519,152	\$422,785	(\$96,367)	81%
Total	\$35,562,186	\$14,550,747	\$15,289,854	\$739,107	105%

2019 Projected Revenue: projected General Fund revenues for fiscal year 2019.

Pro-Rated Revenues Jan-June: what collected revenues should be for the first six months based on the historic average of revenues collected for the first six months of the year. Historic averages: Sales Tax (38.8%); Other Taxes (50.6%); Use Taxes (39.9%); Licenses (43.5%); Intergovernmental (32.9%); Services (49.9%); Fines & Forfeitures (51.6%); Other (41.4%); Total (40.4%).

Actual Revenues Jan-June: General Fund revenues received through June 30, 2019.

(Under) Over Budget Pro-Rated Revenues: revenues under or over pro-rated revenues.

% Pro-Rated Revenues: 100% indicates revenues are on schedule; < 100% indicates revenues are less than projected; > 100% indicates revenues are greater than projected.

Overall, General Fund revenues are \$739,107 over pro-rated revenues or 105% for the first six months of 2019.

General Fund Expenditure Analysis of 2019 Adjusted Budget – Pro-Rated to Historic Averages

General Fund expenditures can be analyzed in the same way as revenue; however, the lower the pro-rated expenditure percentage the better. Overall, General Fund expenditures are \$2.4 million under pro-rated expenditures or 87% for the first six months of 2019.

Expenditures	2019 Adjusted Budget	Pro-Rated Expenditures Jan-June	Actual Expenditures Jan-June	(Under) Over Pro-Rated Expenditures	% Pro-Rated Expenditures
General Gov't	\$12,948,396	\$7,600,708	\$6,401,292	(\$1,199,416)	84%
Community Dev	\$1,876,147	\$878,037	\$694,308	(\$183,729)	79%
Police	\$11,177,779	\$5,275,912	\$5,267,463	(\$8,449)	100%
Public Works	\$5,108,176	\$2,467,249	\$1,899,113	(\$568,136)	77%
Parks & Rec	\$5,437,401	\$2,506,642	\$2,066,234	(\$440,408)	82%
Total	\$36,547,899	\$18,728,548	\$16,328,410	(\$2,400,138)	87%

2019 Adjusted Budget: 2019 budget as adopted by City Council with the addition of supplemental budget appropriations through June 30, 2019.

Pro-Rated Expenditures Jan-June: what expenditures should be for the first six months based on the historic average of expenditures for the first six months of the year. Historic Averages: General Gov't (58.7%); Community Dev (46.8%); Police (47.2%); Public Works (48.3%); Parks & Rec (46.1%); Total (49.9%).

Actual Expenditures Jan-June: General Fund expenditures through June 30, 2019.

(Under) Over Budget Pro-Rated Expenditures: expenditures under or over pro-rated expenditures.

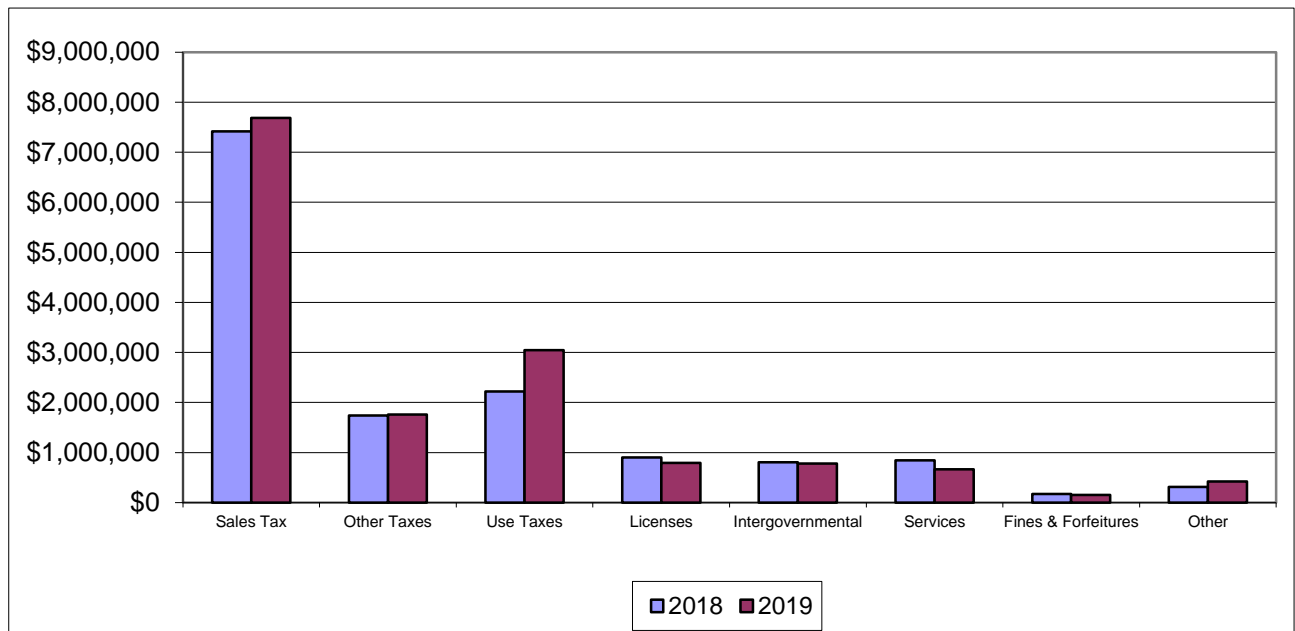
% Pro-Rated Expenditures: 100% indicates expenditures are on schedule; < 100% indicates expenditures are less than projected; > 100% indicates expenditures are greater than projected.

General Gov't: includes Legislative, City Manager's Office/Economic Development, City Attorney, City Clerk's Office, City Treasurer, Central Charges, Municipal Court and Administrative Services.

General Fund Revenue Analysis – 2018 and 2019 Comparison

Total General Fund revenues are up 6.2% (\$892,984) for the first six months of 2019 compared to the same period in 2018.

Revenue	2018 6-Months	2019 6-Months	Percentage Change
Sales Tax	\$7,418,002	\$7,682,691	3.6%
Other Taxes	\$1,736,938	\$1,755,971	1.1%
Use Taxes	\$2,217,036	\$3,043,489	37.3%
Licenses	\$899,977	\$792,703	-11.9%
Intergovernmental	\$803,458	\$777,677	-3.2%
Services	\$844,295	\$664,013	-21.4%
Fines & Forfeitures	\$168,306	\$150,525	-10.6%
Other	\$308,858	\$422,785	36.9%
Total	\$14,396,870	\$15,289,854	6.2%



- **Total sales tax revenue** is up compared to the same period last year experiencing a 3.6% increase and is at 96% of pro-rated revenues. Lucky’s Market opened in August 2018 which accounts for a majority of the sales tax revenue increase in 2019. Projected revenues are slightly under performing in the first 6-months primarily due to a slight slowdown in the economy and a delay in opening of several new retail tenants at Wheat Ridge.

- **Other tax revenue** is fairly flat compared to 2018. Overall, other taxes are tracking lower than expected at 89% of pro-rated revenues primarily due to a decrease in telephone occupation tax revenue.
- **Use tax revenue** is up approximately 37% primarily due to a significant increase in business use tax from the Rocky Mountain Bottle renovation project. Total use tax revenue is at 179% of pro-rated revenues.
- **License revenue** is down 12% primarily due to a decrease in building permit activity. Total license revenue is at 111% of pro-rated revenues.
- **Intergovernmental revenue** is down 3% primarily due to a decrease in grant revenue. Total intergovernmental revenue is at 127% of pro-rated revenues.
- **Service revenue** is down approximately 21% primarily due to a decrease in plan review activity and a decrease in outdoor pool revenues due to the cold and wet spring. Total service revenue is at 93% of pro-rated revenues.
- **Fines & Forfeitures revenue** is down approximately 11% across a majority of municipal court fines due to an inconsistent availability of staffing for traffic enforcement. Total fines and forfeitures revenue is at 44% of pro-rated revenues.
- **Other revenue** is up 37% primarily due to interest revenue because of the City Treasurer's prudent investment strategies. Total other revenue is at 81% of pro-rated revenues.

General Fund Reserves

The City's financial policies require that, the City maintain a minimum unrestricted fund balance of at least two months or approximately 17% of its General Fund operating expenditures, as recommended by the Government Finance Officers Association. The City's maximum unrestricted fund balance shall not exceed 35% of General Fund operating expenditures. Not precluding the aforementioned minimum and maximum percentages, the City will annually target to maintain a 25% unrestricted fund balance percentage level as part of its annual budget process.

The unrestricted fund balance at the end of fiscal year 2018 totaled \$14,109,603 or 44% of General Fund operating expenditures. Fiscal year 2018 expenditures were approximately \$3,000,000 less than budgeted and revenues were approximately \$2,800,000 more than projected, primarily due to increased redevelopment and construction activity in the City, both of which had an impact on the relatively large fund balance at the end of fiscal year 2018.

The unrestricted fund balance at the end of 2019 is estimated to decrease to \$9,749,991 or 26.7% of General Fund operating expenditures. The decrease in fund balance is due to 2019 estimated expenditures coming in \$457,395 higher than projected revenues and transfers from the fund balance in the amounts of \$100,000 to the Equipment Replacement Fund, \$900,000 to the Open Space Fund for "The Green" redevelopment project and \$3,040,000 to the CIP Fund.