



MEMORANDUM

To: Mayor Jim Bowlin and City Council Members

From: Thomas Lee, City Administrator

Date: September 11, 2023

Re: Fiscal Year 2023 Mid-Year Financial Report
2023 Budget Amendment, Bill #2821

The Mid-Year Financial Report is intended to provide City Council and City Management with a comprehensive assessment of the City's overall financial condition at the mid-point of the fiscal year, June 30, 2023. The Municipal Budget is an organization financial and program plan based upon certain assumptions, projections and objectives established in December 2022 with its adoption. The Mid-Year Financial Report is an assessment of how accurate those original plans and assumptions were, serves as a basis for updated year-end projections, and identifies formal budget adjustments which may be necessary in order to conclude the fiscal year within the approved budget amounts. Said budget adjustments are proposed for authorization through Bill #2821, which has been placed on the September 11, 2023 City Council Agenda.

The Mid-Year Financial Report is intended to accomplish three (3) objectives.

1. Quantify revenue and expenditure patterns based upon the first six (6) months of the fiscal year, in order to determine whether original budget assumptions are still accurate and valid.
2. Identify new or changed circumstances, conditions, problems, needs and opportunities which could not have been foreseen during the budget preparation process and avoid end of year fiscal surprises.
3. Provide an opportunity for a comprehensive review and determination of whether budget adjustments may be warranted or necessary in order to conclude the fiscal year within authorized expenditure appropriation limits.

Summary Overview

The City began the fiscal year in very sound financial condition as was recently reported by the City Auditors, RubinBrown, during presentation of the 2022 Annual Comprehensive Financial Report (ACFR). It should be emphasized that conservative assumptions have been applied in determining the projected year-end revenues and expenditures for each category within the overall budget.

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It is important to note as you review the accompanying financial statements that they include data for projected or estimated year-end results, and separate columns for the proposed amended budget amounts. These two columns do not necessarily coincide with each other, as one is intended to represent Management's best conservative estimate of year-end results, while the other amended budget column represents the revised budget appropriations recommended for approval at this time. Each of the recommended budget amendments includes a brief description of its basis.

General Fund Highlights

Within the General Fund Operating Budget, there are a few notable items to mention specifically:

1. Due to inflation, Sales Tax Revenues and Gross Receipts Tax Revenues (with the exception of Telephone Utility Tax) have been trending above budget projections.
2. A class action lawsuit brought against Charter Communications Inc. for gross receipt tax collections for phone services that Charter provides to their customers was settled during the first half of 2023. The case is now final with no further options for Charter to appeal. This results in \$1,010,724 in unbudgeted revenue (a culmination of payments paid under protest for several years and a large settlement amount received in April 2023).
3. Interest rates are significantly higher than they were at this point last year. This is also reflected in the Operating Transfer line item which records Escrow Fund interest annually transferred into the Operating account.
4. Due to position vacancies and staff changes during the year several personnel accounts are trending lower than budgeted.
5. Park Maintenance, Right-of-Way Maintenance, and other grounds maintenance expenses are higher than anticipated due to higher rates charged by contractors that replaced the City's longstanding prior property maintenance contractor.
6. The Snow and Salt Removal budget has been reduced to reflect a lower of winter storms predicted.

Overall, year-end operating revenues are now estimated to total \$13,358,513, which is \$1,696,013 higher than the original approved budget, while year-end operating expenditures are now estimated to total \$11,747,485, which is \$127,606 above the original approved budget. The new estimated Revenues over Expenditures total is \$\$1,611,028 which is \$1,568,407 more than the original approved budget.

Capital Project Fund (Capital Improvement Sales Tax Fund and Road & Bridge Fund) Highlights

Within the Capital Projects Fund, most of the proposed amendments are the result of modified schedules/costs for certain capital projects, with an overall reduction of \$1,359,183 in total revenue and an overall reduction of \$2,140,743 in total expenditures.