



# MEMO

**TO:** Honorable Mayor Stephen Terrell  
Allen City Council  
Peter H. Vargas, City Manager  
Department Heads

**FROM:** Eric Cannon, Chief Financial Officer  
Chris Landrum, Budget Manager  
Casey Bennett, Financial Analyst

**SUBJECT:** FY2016 – 4<sup>th</sup> Quarter Financial Report

**DATE:** January 24, 2017

Attached is the report of revenues collected and expenditures spent for the fourth quarter of Fiscal Year 2016. This activity has taken place between July 1, 2016 and September 30, 2016.

## GENERAL FUND

- Multi-Family and Commercial Permits came in higher than expected as a result of a large multi-family development that began its construction earlier than anticipated and hail storms during the first quarter of 2016.
- Fine revenues collected are below projections due to a combination of high staff turnover at the Municipal Court and an inability for staff to issue warrants for a period of eight months during FY2016.
- Miscellaneous revenues have greatly outperformed expectations, especially at the Event Center for Food & Beverage and Merchandise revenues.
- Interest earnings have outpaced budget projections for FY2016 based on three factors: an update in our investment policy led by the CFO which now allows the City to invest in a Commercial Paper pool which provides greater security and enhanced yields versus traditional investment; the Fed increased the interest rate by 25 basis points at the beginning of 2016; lastly, a modification of investment strategy based on a change in budgeting practices for CIP projects which allows investments to be held longer.
- Reimbursement revenues are up due to the recent hailstorms that damaged many city vehicles. This revenue is intended to offset expenses to fix or replace these vehicles.
- Intergovernmental revenues are collected by the county at the time of vehicle registration for child safety traffic related purposes.
- Expenditures in the Human Resources department are down due to the realignment of payments for training and development software with the fiscal year, a savings in unemployment claims and Educational Assistance as not all employees met the requirements for this grant.
- Transfers in the Internal Services Division were exceeded by the amount of unexpended appropriations.

- Expenditures at the Municipal Court are down considerably due in large part to the high turnover in personnel.
- Service Center savings are primarily due to a low commodity cost of fuel during FY2016.
- Infrastructure Maintenance and Contractual Services Expenditures in the Streets Division were slowed due to the contractor's inability to provide an adequate level of service to the City. The original vendor was selected as low bid, unable to complete the work satisfactorily, and subsequently changed.
- During the transition from H.T.E. to MUNIS, Parks and Recreation Department leadership and staff felt uncomfortable with the chart of accounts and experienced a higher-than-normal level of difficulties with the transition, thus leading to a lack of spending on their part. Based on this situation, Finance staff worked with the Parks and Recreation Department throughout the fiscal year to create a re-vamped chart of accounts which not only satisfied their needs, but provided greater transparency moving forward.
- Expenditures at the Allen Event Center were higher than anticipated as four large concerts were booked which were previously unanticipated.

### **TAX INCREMENT FINANCING (TIF) FUND**

- Existing sales taxpayers in TIF 2 exceeded expectations.
- Due to no changes in either of the TIF zones, no legal expenses were incurred, thus leading to a cost savings in Professional Services for each TIF.

### **WATER & SEWER FUND**

- Water sales were up slightly, mostly due to the lifting of water restrictions, however, with the increase to the Revised Budget coupled with a wet and mild Spring and Summer, sales did not ultimately meet the revised projection.
- Connections revenue outperformed the Revised Budget corresponding to an increase in Multi-Family and Commercial Permits issued.
- Service charges are up as there have been penalties collected from residents who are late with their payments, as well as inspection fees collected from developers.
- Miscellaneous revenues are up as water rebates from NTMWD were higher than anticipated, as well as other reimbursements coming from 3<sup>rd</sup> parties to repair line breaks.
- Savings in the fund has come from the Electricity account, as well as no large main breaks in the system.
- Needed Supplies were purchased with excess expenditures offset by reductions in other areas, as authorized by the City Manager.

### **SOLID WASTE FUND**

- All revenues and expenditures performed as expected.

### **DRAINAGE FUND**

- Inspection Fee revenues primarily correspond with recent developments at Montgomery Ridge - Phase 2, Malone Meadows, Glendover Gardens and the Outlet Mall Expansion. Additional projects have been delayed, thus leading to the lack of revenue versus budget.
- Miscellaneous reimbursement revenue was higher than anticipated due to fees collected for a violation.

- Drainage Fund expense accounts performed as expected.

## **GOLF COURSE FUND**

- Facility Rentals were budgeted at 18 events, but only 13 events took place in FY2016.
- Greens Fees were reduced in FY2016 based on players playing on temporary greens on two holes at the Golf Course for a majority of the fiscal year. Repairs were completed in the 4<sup>th</sup> Quarter of FY2016 and greens fees were increased after the work was completed.
- Sales at the Pro Shop are down as temporary greens at the Golf Course led to less traffic, which has a direct impact on sales at the Pro Shop.
- Overages in the reimbursement revenue account were based on a one-time event held at the Golf Course.
- Savings in the Operating Costs category were primarily in the utility accounts (Telephone/Water/Fuel/Electricity), Advertising and Uniforms coming in under budget.
- The Maintenance category has experienced some higher than normal spending as a rainstorm from November 2015 caused significant damage to the Golf Course.

## **ASSET FORFEITURE**

- Federal Forfeitures are difficult to budget as they are based on the number of police cases worked in conjunction with federal departments, as well as the ability of the court system to close those cases and award each jurisdiction with seizure revenue.

## **HOTEL OCCUPANCY FUND**

- Revenues performed as expected.
- Operating Costs and Professional Services are down versus budget based on delays in the Hotel/Convention Center project.

## **GRANT FUND**

- Revenues in the CDBG Home Repair Grants were more than anticipated as deferred revenues from FY2014 and FY2015 were received from the Federal Government.
- Police revenues in the STEP and TCLEOSE grants did not come in as anticipated in FY2016.
- Revenues at the Library were received from Collin County and deferred as revenues for future years as the full amount of the budget was not needed.
- Police Department Benefits associated with Overtime were previously budgeted in the Overtime account, thus creating a savings in the Salaries and overage in Benefits.
- Operating Costs savings were unspent Training/Travel dollars for TCLEOSE training for new PD recruits needing this designation, which there were not any in FY2016.
- Expenses in the Grant Fund for the Planning Department will be affected this year due to the discontinuation of services provided by Texoma Area Paratransit Services (TAPS). TAPS received payment for one month worth of service prior to the termination of our agreement in November 2015. This accounts for the large discrepancy in expenditures from this year versus last year.

## **REPLACEMENT FUND**

- The Information Technology (IT) department did not spend all of their budgeted funds for the IT Master Plan, which will be rolled in FY2017 as we continue the transition from AS400 to MUNIS. IT Switches and Routers were only purchased at about 50% of their budget as they were intended to be purchased in conjunction with the RMS project, which has been delayed to FY2017.
- Savings in the Fire Department were mostly due to the manufacturer of the new Aerial Ladder Truck experiencing a delay in production, which meant the remainder of the payment was deferred to FY2017. One F-250 was budgeted but not purchased in FY2016 based on delays in the Purchasing process.
- Savings in the Police Department are primarily due to one of eight replacement Dodge Chargers not being purchased during FY2016 due to delays in the Purchasing process, the payment was made in FY2017.

## **FACILITY MAINTENANCE FUND**

- Only a portion of the slated projects were completed during FY2016, with the cost savings re-appropriated for FY2017.

## **RISK FUND**

- Revenues in the Risk Fund are budgeted based on Full Employment, which was not achieved during FY2016.
- Due to the availability of funds, contributions for Worker's Compensation were stopped during the 4<sup>th</sup> Quarter of FY2016.
- Based on the most recent actuarial study, the OPEB Trust is sufficiently funded. These contributions will be reevaluated on an annual basis.
- Expense budgets were overspent despite savings in the Admin, Worker's Comp and OPEB areas as there were a large number of catastrophic health and dental claims (25) during FY2016.

## **ECONOMIC DEVELOPMENT CORPORATION**

- Economic Grant Expenses are only paid out for those entities that are meeting the requirements of their agreements.

## **COMMUNITY DEVELOPMENT CORPORATION**

- Economic Grant Expense for the Hotel/Convention Center was not spent during the Fiscal Year.
- Maintenance funds were under budget as there was a savings in the amount of Trail Maintenance that took place during FY2016.
- Not all projects that were budgeted for FY2016 were completed. The amount not spent will be restricted in fund balance for CIP projects and appropriated in future years.