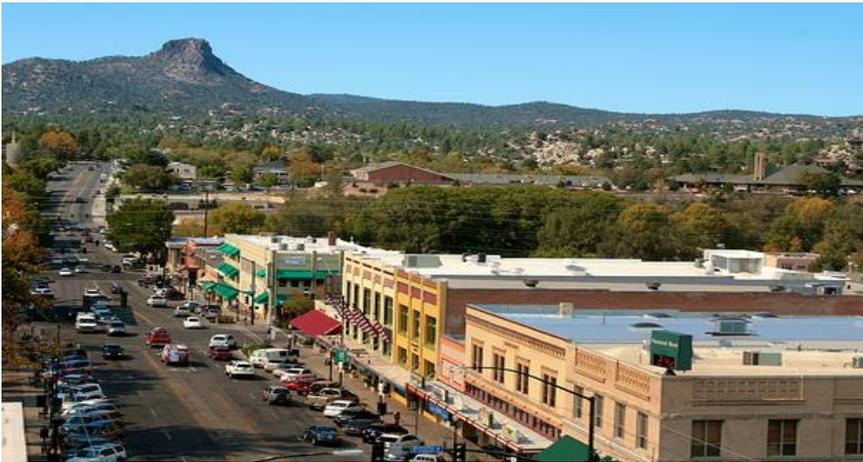


# City of Prescott Fiscal Year 2016 Budget



**Mid-Year Budget Report**  
**February 2, 2016**



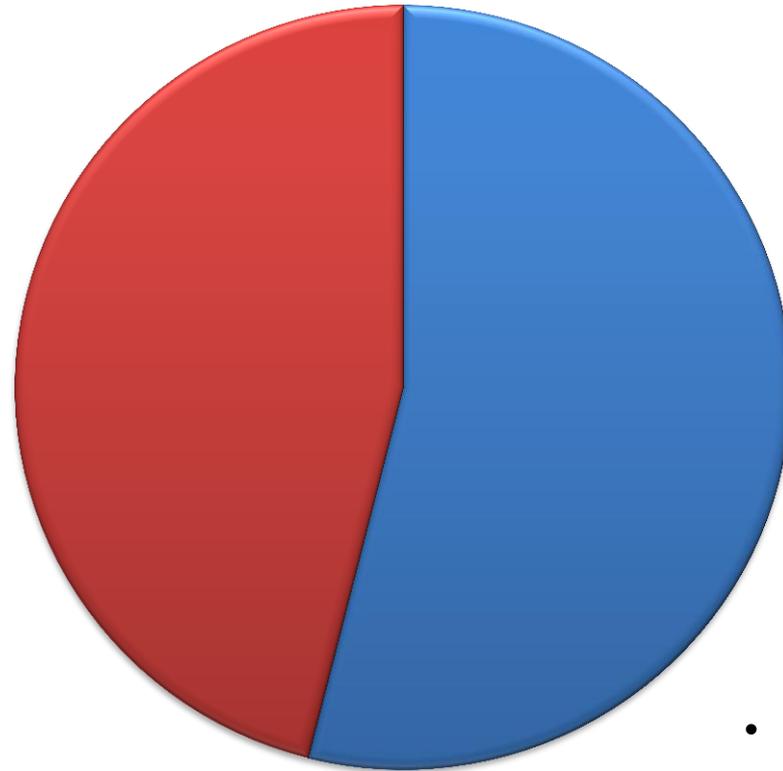
# Year-to-Date Expenditures (All Funds) through December 31, 2015

(Note: 50% of year complete)

	<b>FY15 Actual</b>	<b>FY16 Budget</b>	<b>Expenditures as of 12/2015</b>	<b>% Spent YTD</b>
Operating - Personnel	\$ 41,888,124	\$ 44,671,227	\$ 19,839,993	44.4%
Operating - Non-Personnel	35,046,182	37,283,652	15,886,682	42.6%
Capital	27,703,717	66,468,983	11,756,633	17.7%
<b>Total Budget</b>	<b>\$ 104,638,023</b>	<b>\$ 148,423,862</b>	<b>\$ 47,483,308</b>	<b>32.0%</b>



# Total City Budget



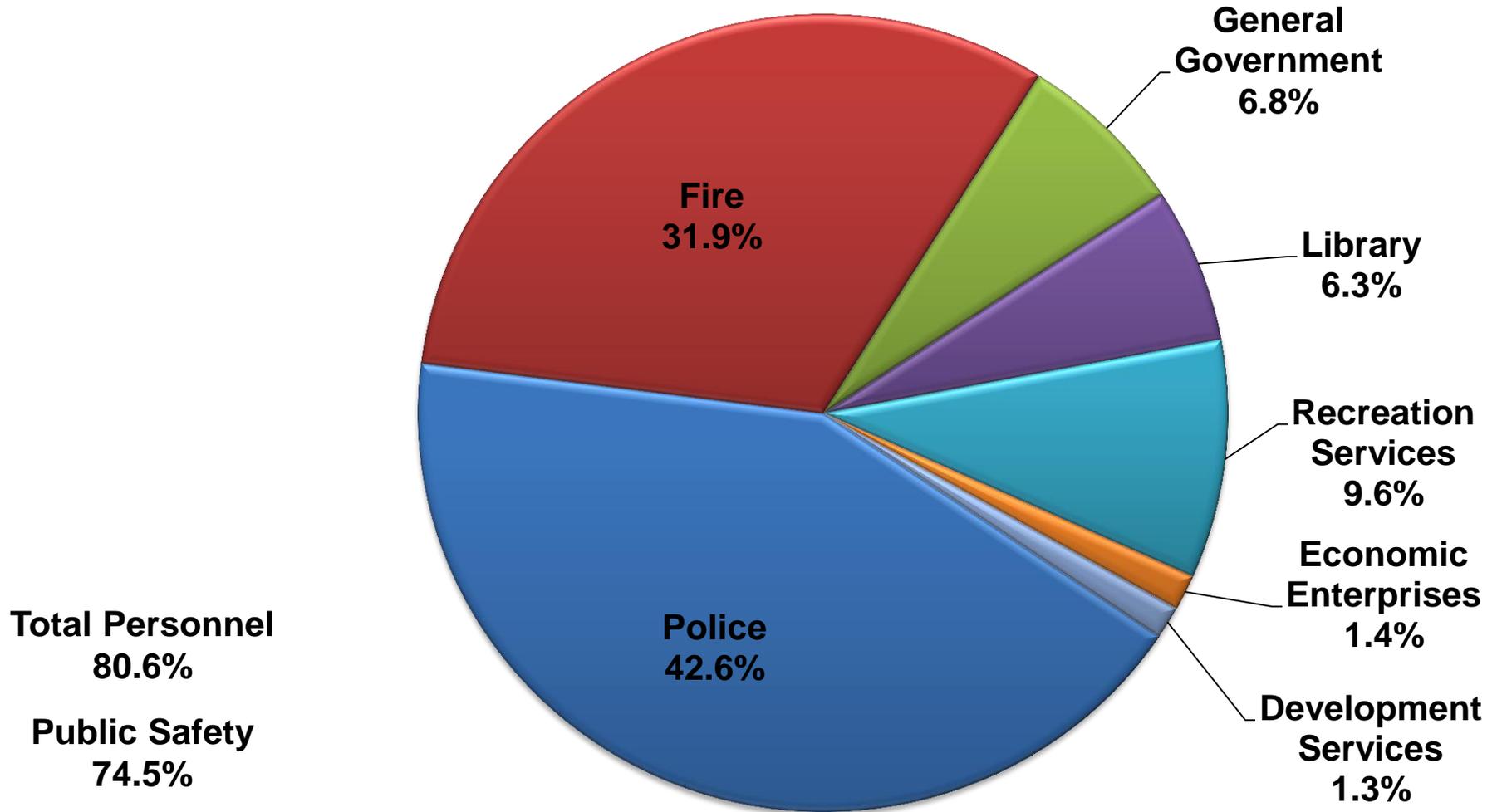
Enterprise  
45%

Governmental  
55%

- Water
- Wastewater
- Solid Waste
- Airport
- Golf Course

- General Fund
- 1% Streets and Open Space
- Transient Occupancy Tax
- Impact Fees
- Grants
- Acker Trust
- Debt Service

# General Fund FY16 Operating Budget by Department (Net of Program Revenues)



# General Fund Expenditures

(Note: 50% of year complete)

	<u>FY16 Budget</u>	<u>Expenditures as of 12/2015</u>	<u>% Budget</u>
<b>Operations</b>			
General Government	\$ 1,293,526	\$ 555,644	43%
Budget & Finance	393,421	254,969	65%
Rodeo & Parking Garage	105,386	33,760	32%
Development Services	1,118,073	506,911	45%
Recreation Services	3,104,676	1,370,579	44%
Library	2,360,794	1,066,552	45%
Police Department	12,166,621	5,404,661	44%
Regional Communications	1,279,864	623,425	49%
Fire Department	9,186,340	4,349,751	47%
Economic Enterprises	473,107	269,767	57%
Non-Departmental	357,053	65,503	18%
<b>Total General Fund Operations</b>	<b>31,838,861</b>	<b>14,501,522</b>	<b>46%</b>
<b>Capital Outlay/Projects</b>	<b>2,103,604</b>	<b>165,826</b>	<b>8%</b>
<b>TOTAL GENERAL FUND</b>	<b>\$ 33,942,465</b>	<b>\$ 14,667,348</b>	<b>43%</b>

# General Fund Revenues

(Note: 50% of year complete)

	FY16 Budget	Received as of 12/2015	% Received as of 12/2015	% of Total GF Revenues
<b>Taxes</b>				
Privilege & Use Tax	\$ 13,840,000	\$ 7,793,081	56.3%	40.8%
Franchise Tax	1,610,000	783,481	48.7%	4.7%
Property Tax - Primary	1,596,518	889,648	55.7%	4.7%
Total	17,046,518	9,466,210	55.5%	50.3%
<b>Intergovernmental</b>				
State Sales Tax	3,806,325	1,815,642	47.7%	11.2%
State Income Tax	4,797,092	2,398,546	50.0%	14.2%
State Vehicle License Tax	2,361,145	1,129,377	47.8%	7.0%
Joint Dispatch	1,279,864	633,150	49.5%	3.8%
Library District	567,270	-	0.0%	1.7%
Fire Contracts	355,623	176,039	49.5%	1.0%
Total	13,167,319	6,152,754	46.7%	38.8%
Licenses & Permits	495,600	325,483	65.7%	1.5%
Service Charges	1,457,800	827,641	56.8%	4.3%
Fines & Forfeitures	498,900	220,512	44.2%	1.5%
Miscellaneous/Interest Earnings	231,100	55,711	24.1%	0.7%
Financing - CAD	1,000,000	-	0.0%	3.0%
<b>Total General Fund Revenues</b>	<b>\$ 33,897,237</b>	<b>\$ 17,048,311</b>	<b>50.3%</b>	<b>100.0%</b>

# General Fund – Fund Balance

(Note: 50% of year complete)

	<b>FY16</b>	
	<b>Budget</b>	<b>As of 12/2015</b>
<b>General Fund Operations</b>		
Revenues	\$ 32,897,237	\$ 17,048,311
Transfers In - Bed Tax (Parking Garage, Event OT)	45,000	22,500
Total Revenues/Operating Transfers In	<u>32,942,237</u>	<u>17,070,811</u>
Operating Expenditures	31,838,861	14,501,522
<b>Operating Income</b>	<u>1,103,376</u>	<u>2,569,289</u>
<b>Capital Expenditures and Transfers Out</b>		
Capital Expenditures	2,103,604	165,826
Lease Purchase Financing	(1,000,000)	-
<b>Transfers Out</b>		
Airport Operations	269,483	-
Governmental Grant Operations	280,737	18,584
Total Operating Transfers	<u>550,220</u>	<u>18,584</u>
Airport Capital	380,000	28,859
Airport Capital Grant Match	321,303	175,836
Total Capital Transfers	<u>701,303</u>	<u>204,695</u>
Net Capital and Transfers Out	<u>2,355,127</u>	<u>389,105</u>
<b>Net Change in Fund Balance</b>	(1,251,751)	2,180,184
<b>Fund Balance - Beginning</b>	<u>27,976,354</u>	<u>27,976,354</u>
<b>Fund Balance - Ending</b>	<u>\$ 26,724,603</u>	<u>\$ 30,156,538</u>
<b>Ending Balance - Detail</b>		
Reserve Policy	\$ 6,579,448	\$ 6,579,448
Retirement Reserve	2,712,539	2,712,539
Internal Loan	5,138,516	5,138,516
Unassigned	12,294,100	15,726,035
Total Ending Fund Balance	<u>\$ 26,724,603</u>	<u>\$ 30,156,538</u>

# General Fund – Fund Balance

(Note: 50% of year complete)

	<b>FY16</b>	
	<b>Budget</b>	<b>As of 12/2015</b>
<b>Fund Balance Reserve Policy (based on Operating Revenue)</b>		
10% Reserve for unanticipated expenditures and revenue shortfalls	\$ 3,289,724	\$ 3,289,724
10% Reserve for timing differences between receipts and disbursements	3,289,724	3,289,724
Total reserve per policy	<u>6,579,448</u>	<u>6,579,448</u>
<b>Reserve for Internal Loans</b>		
Golf Course-operating deficit	4,316,788	4,316,788
Grant Fund-delayed grant reimbursements	25,547	25,547
Structured loan for water and wastewater projects	796,180	796,180
Total reserve for internal loans	<u>5,138,515</u>	<u>5,138,515</u>
<b>Reserve for Existing Retirement Liability</b>	3,091,192	3,091,192
<b>Unassigned-available for one time capital and projects</b>	11,915,448	15,347,383
<b>Total Fund balance</b>	<u><b>\$ 26,724,603</b></u>	<u><b>\$ 30,156,538</b></u>

# 1% Streets & Open Space Fund

(Note: 50% of year complete)

	FY16 Budget	Rec/Exp as of 12/2015	% Budget
<b>Revenues</b>			
Sales Tax	\$ 11,567,500	\$ 7,432,589	64.3%
Highway Users Revenue	2,994,582	1,574,286	52.6%
Reimbursement/Partnering	2,400,000	764,271	31.8%
Street Light Fee	233,000	115,070	49.4%
Miscellaneous/Interest Earnings	568,792	291,673	51.3%
Total Revenues	<u>17,763,874</u>	<u>10,177,889</u>	57.3%
<b>Expenditures</b>			
Operating - Personnel	2,673,837	1,195,153	44.7%
Operating - Non-personnel	3,335,201	1,338,634	40.1%
Debt Service	2,245,999	547,499	24.4%
Open Space	730,000	-	0.0%
Capital Outlay/Projects	23,192,609	4,353,702	18.8%
Total Expenditures	<u>32,177,646</u>	<u>7,434,988</u>	23.1%
<b>Other Sources (Uses)</b>			
Transfers In	9,465	132	
Transfers Out	(5,784)	(578)	
Total Other Sources	<u>3,681</u>	<u>(446)</u>	
<b>Ending Balance</b>			
<b>Net Change in Fund Balance</b>	(14,410,091)	2,742,455	
<b>Fund Balance - Beginning</b>	19,890,742	19,890,742	
<b>Fund Balance - Ending</b>	<u>\$ 5,480,651</u>	<u>\$ 22,633,197</u>	

# Transient Occupancy Tax Fund

(Note: 50% of year complete)

	<u>FY16</u>	<u>Rec/Exp</u>	<u>%</u>
	<u>Budget</u>	<u>as of 12/2015</u>	<u>Budget</u>
<b>Revenues</b>			
Bed Tax Revenues	\$ 680,000	\$ 421,439	62.0%
Liquor License	70,000	67,342	96.2%
Interest Earnings	2,000	709	35.5%
Total Revenues	<u>752,000</u>	<u>489,490</u>	65.1%
<b>Expenditures</b>			
Marketing and Promotion	290,000	154,220	53.2%
Contingency	143,193	-	0.0%
Tourism	142,400	77,751	54.6%
Signature Events	62,400	45,900	73.6%
Support for the Arts	35,000	-	0.0%
Tournaments	30,000	-	0.0%
Courthouse Lighting	30,000	30,000	100.0%
Parks Tourism Venues/Amenities	30,000	30,000	100.0%
Museum Marketing Support - Phippen	15,000	15,000	100.0%
Museum Marketing Support - Smoki	15,000	-	0.0%
Sharlot Hall Museum	25,000	25,000	100.0%
Special Events Overtime	25,000	12,500	50.0%
PDP Contract	20,000	20,000	100.0%
Prescott Frontier Days Rodeo	20,000	-	0.0%
Parking Garage	20,000	10,000	50.0%
Prescott Creeks Match	12,500	-	0.0%
Bandwagon Refurbishing	12,000	-	0.0%
Open Space Management	10,000	1,149	11.5%
Other Events	5,000	3,900	78.0%
Total Expenditures	<u>942,493</u>	<u>425,420</u>	45.1%
<b>Ending Fund Balance</b>			
Net Change in Fund Balance	(190,493)	64,070	
Fund Balance - Beginning	383,715	383,715	
Fund Balance - Ending	<u>\$ 193,222</u>	<u>\$ 447,785</u>	

# Impact Fee Funds

(Note: 50% of year complete)

## Updated

	<u>Parks</u>	<u>Fire</u>	<u>Library</u>	<u>Police</u>	<u>Street</u>	<u>Public Buildings</u>
<b>Revenues</b>						
Rent - Fire Station 75	\$ -	\$ 12,545	\$ -	\$ -	\$ 132	\$ -
Interest	1,516	1,747	934	1,767	-	355
<b>Total Revenues</b>	<b>1,516</b>	<b>14,292</b>	<b>934</b>	<b>1,767</b>	<b>132</b>	<b>355</b>
<b>Expenditures and Transfers</b>						
Expenditures	-	-	-	-	-	-
Transfers Out	-	-	-	-	(132)	-
<b>Total Expenditures and Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(132)</b>	<b>-</b>
<b>Ending Fund Balance</b>						
<b>Net Change in Fund Balance</b>	<b>1,516</b>	<b>14,292</b>	<b>934</b>	<b>1,767</b>	<b>-</b>	<b>355</b>
<b>Fund Balance Beginning, 7/1</b>	<b>727,020</b>	<b>835,594</b>	<b>448,241</b>	<b>847,662</b>	<b>-</b>	<b>170,234</b>
<b>Fund Balance Ending, 12/31</b>	<b>\$ 728,536</b>	<b>\$ 849,886</b>	<b>\$ 449,175</b>	<b>\$ 849,429</b>	<b>-</b>	<b>\$ 170,589</b>

Note: These impact fees are no longer being collected.

# Other Governmental Funds

(Note: 50% of year complete)

	<u>FY16</u>	<u>Expenditures</u>	<u>%</u>
	<u>Budget</u>	<u>as of 12/2015</u>	<u>Budget</u>
<b>Expenditures</b>			
Grant Funds	\$ 4,847,775	\$ 320,915	7%
Acker Trust Fund	10,000	-	0%
Miscellaneous Gifts and Donations	235,387	39,172	17%
Debt Service Funds	196,125	7,524	4%
Total Expenditures	<u>\$ 5,289,287</u>	<u>\$ 367,611</u>	7%

# Water Funds

(Note: 50% of year complete)

	<b>FY16</b>	<b>Rec/Exp</b>	<b>%</b>
	<b>Budget</b>	<b>as of 12/2015</b>	<b>Budget</b>
<b>Revenues</b>			
Water Fund			
Water Sales/Alt Water Fees	\$ 16,754,273	\$ 7,987,079	48%
Water Connection Fees	170,000	104,020	61%
Miscellaneous/Interest Earnings	173,997	152,905	88%
Growth Related Funds			
Water System Impact Fee	1,490,851	492,133	33%
Water Resource Development Fee	851,213	292,262	34%
Total Revenues	<u>19,440,334</u>	<u>9,028,399</u>	46%
<b>Other Financing Sources</b>			
Bond Proceeds - WIFA Draws	-	448,588	0%
Intergovernmental Contributions	995,779	-	0%
Total Other Financing Sources	<u>995,779</u>	<u>448,588</u>	45%
Total Revenue and Other Financing Sources	<u>20,436,113</u>	<u>9,476,987</u>	46%
<b>Expenditures</b>			
Operating - Personnel	2,612,134	1,145,478	44%
Operating - Non-Personnel	6,206,459	2,042,489	33%
Debt Service	2,426,963	1,323,991	55%
Projects/Capital Outlay	12,978,133	1,717,076	13%
Aquifer Protection Projects/Capital Outlay	261,000	6,230	2%
Alt Water Sources Projects/Capital Outlay	410,874	95,785	23%
Water System Impact Projects/Capital Outlay	2,859,929	1,097,514	38%
Total Expenditures	<u>\$ 27,755,492</u>	<u>\$ 7,428,563</u>	27%

# Wastewater Funds

(Note: 50% of year complete)

	<b>FY16</b>	<b>Rec/Exp</b>	<b>%</b>
	<b>Budget</b>	<b>as of 12/2015</b>	<b>Budget</b>
<b>Revenues</b>			
Wastewater Utilities			
Wastewater User Charges	\$ 11,688,857	\$ 5,474,836	47%
Effluent Sales	538,833	295,044	55%
Wastewater Disposal Fee	137,000	87,851	64%
Miscellaneous/Interest Earned	151,756	159,589	105%
Wastewater System Impact			
Wastewater Impact Fees	1,343,549	417,130	31%
Total Revenues	13,859,995	6,434,450	46%
<b>Other Financing Sources</b>			
Bond Proceeds WIFA	2,666,286	62,723	2%
Total Revenue and Other Financing Sources	16,526,281	6,497,173	39%
<b>Expenditures</b>			
Operating - Personnel	2,617,605	1,044,581	40%
Operating - Non-Personnel	2,768,061	1,163,695	42%
Debt Service	4,369,966	2,534,812	58%
Projects/Capital Outlay	6,450,194	618,982	10%
Wastewater Impact Projects/Capital Outlay	3,166,286	20,733	1%
Total Expenditures	\$ 19,372,112	\$ 5,382,803	28%

# Solid Waste Fund

(Note: 50% of year complete)

	<u>FY16</u>	<u>Rec/Exp</u>	<u>%</u>
	<u>Budget</u>	<u>as of 12/2015</u>	<u>Budget</u>
<b>Revenues</b>			
Solid Waste Collection Charges	\$ 4,920,000	\$2,543,367	52%
Transfer Station Fees	1,200,000	637,911	53%
Landfill Closure Surcharge	120,000	61,437	51%
Recycling Revenue	150,000	52,735	35%
Interest Earned/Miscellaneous	82,500	75,460	91%
Total Revenues	<u>6,472,500</u>	<u>3,370,910</u>	52%
<b>Expenditures</b>			
Operating - Personnel	1,753,982	778,423	44%
Operating - Non-Personnel	4,717,431	1,763,111	37%
Projects/Capital Outlay	1,317,400	408,793	31%
Total Expenditures	<u>\$ 7,788,813</u>	<u>\$ 2,950,327</u>	38%

# Airport Fund

(Note: 50% of year complete)

	<u>FY16</u>	<u>Rec/Exp</u>	<u>%</u>
	<u>Budget</u>	<u>as of 12/2015</u>	<u>Budget</u>
<b>Revenues</b>			
Tie Down and Hangar Rentals	\$ 647,105	\$ 325,724	50%
Ground Rentals	516,490	241,268	47%
Facility Rentals	201,705	101,776	50%
Fuel Flowage Fee	90,300	34,625	38%
Landing Fees	21,700	2,878	13%
Miscellaneous/Interest Earnings	33,180	55,676	168%
Total Revenues	<u>1,510,480</u>	<u>761,947</u>	50%
<b>Operating Expenditures</b>			
Airport Fire/ARFF	460,748	142,024	31%
Airport Operations - Personnel	699,602	276,258	39%
Airport Operations - Non-Personnel	619,613	312,165	50%
Total Operating Expenditures	<u>1,779,963</u>	<u>730,447</u>	41%
<b>Operating Income</b>	<u>\$ (269,483)</u>	<u>\$ 31,500</u>	
<b>Capital Outlay/Projects</b>			
Non Grant Capital Outlay	\$ 380,000	\$ 60,359	16%
Airport Grants			
FAA/ADOT Grants	6,538,789	2,667,505	41%
City Share	321,303	175,836	55%
Total Grant Projects	<u>6,860,092</u>	<u>2,843,341</u>	41%
Total Capital Outlay	<u>7,240,092</u>	<u>2,903,700</u>	40%
Total Expenditures	<u>\$ 9,020,055</u>	<u>\$ 3,634,147</u>	40%

# Golf Course Fund

(Note: 50% of year complete)

	<u>Fiscal Year to Date through</u>		
	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>Change</u>
<b>Course Operations</b>			
<b>Revenues</b>			
Green Fees	\$ 646,342	\$ 614,563	\$ (31,779)
Cart Rental	282,223	292,639	10,416
Proshop Revenue	62,720	63,759	1,039
Driving Range	72,468	66,838	(5,630)
Players Card Sales	66,044	72,186	6,142
Miscellaneous	2,489	-	(2,489)
Total	<u>1,132,286</u>	<u>1,109,985</u>	<u>(22,301)</u>
<b>Expenditures</b>			
Personnel	207,925	232,566	24,641
Cost of Goods Sold Proshop	46,756	46,833	77
Other Services	160,190	138,836	(21,354)
BCG Management Fee	42,000	42,000	-
Capital Equipment	2,445	-	(2,445)
Total	<u>459,316</u>	<u>460,235</u>	<u>919</u>
Rev. over exp. Operations	<u>\$ 672,970</u>	<u>\$ 649,750</u>	<u>\$ (23,220)</u>

# Golf Course Fund (Cont'd)

(Note: 50% of year complete)

	<u>Fiscal Year to Date through</u>		
	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>Change</u>
<b>Restaurant</b>			
<b>Revenues</b>			
Food Sales	\$ 336,216	\$ 371,280	\$ 35,064
Beverage Sales	106,373	110,706	4,333
Total	442,589	481,986	39,397
<b>Expenditures</b>			
Personnel	158,983	193,543	34,560
Cost of Goods Sold Restaurant	173,124	214,364	41,240
Supplies	28,269	39,467	11,198
Total	360,376	447,374	86,998
Rev. over exp. Restaurant	82,213	34,612	(47,601)
Net Income before Main., DS & IC	\$ 755,183	\$ 684,362	\$ (70,821)
Maintenance	\$ 556,704	\$ 585,787	29,083
Debt Service	67,973	2,759	(65,214)
Internal Charges	56,367	60,090	3,723
Total Main., DS & IC	681,044	648,636	(32,408)
Net Income (Loss)	\$ 74,139	\$ 35,726	\$ (38,413)

# Golf Course Comments

- Fiscal Year 2016 has had 17 days of lost play due to weather compared to 2 days in Fiscal Year 2015. Estimated revenue loss of \$55,000.
- Billy Casper Golf is in the process of completing a rate study which will be used to adjust course rates.
- A \$42,000 midyear reduction in the course maintenance budget has been implemented.
- “Advantage” card prices have been increased to provide an additional \$13,000 annually.
- Food prices were increased in December 2015 to generate an additional \$12,000 annually.

# Internal Service Funds

(Note: 50% of year complete)

	<u>Engineering</u>	<u>Facilities</u>	<u>Fleet</u>	<u>Risk Management</u>
<b>Revenues</b>	\$ 753,310	\$ 769,323	\$ 1,175,143	\$ 476,728
<b>Expenditures</b>				
Personnel	1,009,309	201,832	285,125	-
Supplies	12,721	58,059	437,900	-
Internal Charges	129,220	50,460	150,817	640
Other Services	16,240	352,175	97,395	722,392
Debt Service	-	-	80,000	-
Capital Outlay	-	-	23,351	-
Total Expenditures	1,167,490	662,526	1,074,588	723,032
<b>Budget Basis Net Income (Loss)</b>	\$ (414,180)	\$ 106,797	\$ 100,555	\$ (246,304)

# Looking Ahead to Fiscal Year 2017

(July 1, 2016 – June 30, 2017)



# Pension Cost Increases

	FY 16	FY 17	Increase in	Estimated	Estimated
	Rate	Rate	Contribution	Increase in	Estimated
			Rates	FY 17	FY 17 Budget
				Budget	Amount
<b>Az State Retirement System</b>					
(Employees 426)					
City	11.47%	11.48%	0.01%	\$ 2,000	\$ 2,269,296
Employee	11.47%	11.48%	0.01%		
<b>Public Safety Retirement System</b>					
Fire (Employees 53)					
City Actuarial Rate	74.49%	75.77%	1.28%	\$ 462,050	\$ 2,739,377
City Alternative 3 year phase-in	63.44%	69.82%	6.38%	239,082	2,516,409
Employee	11.65%	11.65%	0.00%		
Police (Employees 67)					
City Actuarial Rate	66.97%	72.05%	5.08%	\$ 703,163	\$ 2,992,493
City Alternative 3 year phase-in	55.12%	64.43%	9.31%	386,677	2,676,007
Employee	11.65%	11.65%	0.00%		
Total Actuarial Rate				\$ 1,167,213	\$ 8,001,166
Total Alternative 3 year phase-in				\$ 627,759	\$ 7,461,712

**Note -**

Continuation of the alternative 3 year phase-in rate will be discussed during the FY17 budget process.

# Class and Compensation

- Because of the budget challenges over the last 8 years, employee pay is below market causing recruitment non-competitiveness, retention, compression, and employee turnover challenges
- Losing trained employees increases training costs and adversely impacts the delivery of services
- Implementing a market-competitive compensation plan has been identified by Council as a priority for the FY17 budget
- The proposed plan would set the midpoint of the pay grades for each position at the market level of our benchmark cities
- Movement in grades would be 3% per year from entry to midpoint (6 years) and 0% to 3% from midpoint to grade max, based on merit
- The estimated first year cost of implementation (all funds) is \$2.5 million
- The estimated additional annual cost of maintaining the pay plan is \$800,000 (all funds)

# Significant Revenue and Expenditure Items Estimated to Impact the FY17 General Fund Budget

FY16 midyear budget adjustments	\$ 1,041,000
FY17 proposed increases in fees and cost recoveries	891,000
Increase in employee health insurance cost	-100,000
Increased pension cost (at full PSPRS actuarial rate)	-1,167,000
Class and market compensation implementation	-1,650,000
FY17 personnel merit adjustments	-260,000
TOTAL	<hr/> <b>\$ -1,245,000</b> <hr/>

## Items still unknown

Increase in local taxable activity	Increase
Distribution of State Shared Revenue	??
Possible State changes to local tax base	Decrease

# FY2017 Budget Process

(items in red are public meetings)

- Departments budget kickoff meeting (January 21)
- Mid-Year FY16 budget report to Council (February 2)
- Department missions/goals/org. charts due (February 5)
- Operating budgets due (February 26)
- Personnel requests due (March 4)
- Capital budgets due (March 11)
- Review of budgets by City Manager/Finance (April)
- Council budget workshops (May)
- Adoption of tentative budget (June)
- Publish budget and notice of hearing (June)
- Final hearing and adoption of final budget (June)
- Set property tax rates (July)