



City Manager Report

The City of OKLAHOMA CITY

NO: 78

DATE: AUGUST 14, 2012

TO: THE MAYOR AND MEMBERS OF THE CITY COUNCIL

SUBJECT: YEAR-END FINANCIAL REPORT FISCAL YEAR 2011-2012

This year-end report provides the Mayor and City Council with a preliminary look at the City's financial situation at year-end for FY 2011-2012. The Comprehensive Annual Financial Report will be prepared and the external audit will be conducted over the next several months.

Fiscal Year 2011-2012 General Fund Revenue

Through year-end, General Fund recurring revenue totaled \$381.4 million, which was \$18.8 million (5.2%) above target. This represents an increase over fiscal year FY 2010-2011 of \$16.4 million (4.5%). Revenue for the month of June was above target by \$2.4 million (8.0%), but below June of the previous year by \$0.6 million (1.8%).

GENERAL FUND REVENUE BY CATEGORY*				
(Through June 30, 2012 - 100% of the year complete)				
Category	Target	Actual	Difference	Percentage
Sales Tax	187,817,345	198,521,717	10,704,372	5.7%
Use Tax	33,488,760	38,804,613	5,315,853	15.9%
Other Taxes	10,455,617	11,535,586	1,079,969	10.3%
Franchise Fee	39,953,517	40,793,275	839,758	2.1%
Licenses, Permits, and Fees	11,772,858	12,538,613	765,755	6.5%
Fines & Forfeitures	22,928,302	22,908,790	-19,512	-0.1%
Charges for Services	14,218,016	14,145,271	-72,745	-0.5%
Administrative Charges	15,752,406	16,168,618	416,212	2.6%
Other Revenue	3,943,903	3,751,383	-192,520	-4.9%
Operating Transfers In	22,273,216	22,185,805	-87,411	-0.4%
TOTAL GENERAL FUND*	362,603,940	381,353,671	18,749,731	5.2%

*Excludes budgeted Fund Balance.

Sales Tax was \$10.7 million (5.7%) above target for the year, totaling \$198.5 million. This represents an increase of 5.6% over last year, which is above the City's long-term average growth rate of 4.0%.

The chart below shows the growth in the major categories of Sales Tax. The Retail category continues to see positive growth after several months of decline in the first half of the fiscal year. Minimal change was seen in the Transportation and Utilities category. The Wholesale category continues to see strong growth. Although, the Services category shows low growth, the last quarter of the year has seen improved growth compared to the declines in the first three quarters.

Major Categories of Sales Tax Remitters

Category	Year to Date Change	% of Sales Tax
Retail	4.60%	60.80%
Transp. & Utilities	4.60%	11.70%
Wholesale	14.00%	11.00%
Services	1.60%	10.30%

Use Tax revenue for the year was above target by \$5.3 million (15.9%), totaling \$38.8 million and was up \$6.6 million (20.4%) above last fiscal year. The chart below shows Use Tax growth by SIC category and demonstrates how dramatic the swings in the various categories can be. Much of the growth in Use Tax is attributable to the Mining category, specifically one large vendor that posted high remittances throughout the year.

Major Categories of Use Tax Remitters

Category	Year to Date Change	% of Use Tax
Retail	17.60%	30.10%
Wholesale	16.10%	24.90%
Mining	124.30%	15.50%
Services	13.90%	10.30%

The **Other Taxes** category was above target by \$1.1 million (10.3%) for the year, totaling \$11.5 million. Increased revenues from the Excise Tax on Tobacco and Vehicle Taxes, which combined are \$0.9 million over target, are the primary drivers for the overage.

Franchise Fees finished the year \$0.8 million (2.1%) above target. Better than expected revenue from OG&E of \$2.0 million, or 10.1% above target, is offsetting declines in other areas. OG&E revenue was boosted significantly by last year's extremely hot summer. ONG is below target due to the mild winter and low natural gas prices.

Franchise Fee Revenue	Target	Revenue	Difference	%
Oklahoma Gas and Electric	19,588,383	21,575,645	1,987,262	10.1%
Oklahoma Natural Gas	6,071,216	4,952,138	-1,119,078	-18.4%
Oklahoma Electric Cooperative	1,238,904	1,154,710	-84,194	-6.8%
Cox Cable and Cox Fibernet	7,093,800	6,796,756	-297,044	-4.2%
City Utilities	3,970,222	3,997,233	27,011	0.7%
ATT	1,491,256	1,692,470	201,214	13.5%
Other Franchise Remitters	499,736	624,323	124,587	24.9%
Total	39,953,517	40,793,275	839,758	2.1%

Licenses, Permits, and Fees are \$0.8 million (6.5%) above target for the year, totaling \$12.5 million. The driver of this growth is Building, Electric, and Plumbing Permits which combined are \$0.9 million over target through June.

Fines and Forfeitures are slightly below target for the year and total \$22.9 million. The two largest revenue sources in this category are Court Costs and Traffic Fines which account for 80% of the total budget. These two revenue sources remain below target by a combined \$0.6 million (3.2%) totaling \$17.8 million. Parking Fines continue to help offset these declines, ending the year above target by \$0.4 million (31.4%).

The **Charges for Services** category was slightly below target for the year with total revenue received of \$14.1 million. It is interesting to note that Parking meter charges are below target by \$0.1 million and below last year's total by 20.1%. With the current construction downtown, this is not surprising.

Public Works Engineering Fees for private development is one specific revenue source we have tracked closely as it is a leading indicator of private development. Public Works Engineering Fees are 4.6% above target through year-end. However, Public Works Engineering Fees are still below last year by 20.4%.

Administrative Charges, Other Revenue, and Operating Transfers In categories totaled \$42.1 million for the year and were \$0.2 million (0.3%) above target.

Fiscal Year 2011-2012 General Fund Obligations

Obligations for the General Fund totaled \$374.6 million or 99.9% of the budget. Obligations include expenses that have been made, as well as encumbrances. The Personal Services Category is the key category since it represents over two-thirds of the General Fund total. As shown below, Personal Services finished the year at 99.9% of the budget.

General Fund Obligations By Category						
(Through June 30, 2012 - 100% of the year complete)						
Account Class	Budget	Expense	Expense % of Budget	Encumbrance	Obligations	Obligation %
Personal Services	265,328,206	265,180,645	99.9%	-2,234	265,178,411	99.9%
Other Services	64,262,199	62,221,132	96.8%	1,803,250	64,024,382	99.6%
Supplies	8,206,685	7,222,684	88.0%	914,798	8,137,482	99.2%
Capital Outlay	17,344	17,344	100.0%	0	17,344	100.0%
Debt Service	10,000	2,212	22.1%	-250	1,962	19.6%
Transfers	37,280,990	37,254,182	99.9%	0	37,254,182	99.9%
Total	375,105,424	371,898,200	99.1%	2,715,564	374,613,764	99.9%

*Debt Service in the General Fund only pays for the bank paying agent charges associated with General Obligation Bonds. There is no debt paid from the General Fund.

Special Revenue and Enterprise Funds

The other Operating Funds of the City also have revenue targets, although, the nature of the various revenue sources means that each type of fund must be analyzed individually. A summary of the target and actual revenue in the other operating funds with revenue targets is listed in the chart on the following page.

The special revenue funds supported by the dedicated **Police, Fire, and Zoo Sales Taxes** were above target for the year. Due to better than expected sales tax revenues, the Police and Fire Sales Tax Fund budgets were increased with an amendment approved in January, in order to transfer the entire amount of the wage adjustment to the General Fund. This along with differing amounts of Investment Income earned in the funds based on their respective cash balances explains the variation in the amount above target for each of the sales tax supported funds. Actual growth in sales tax for each of these funds is 5.6% over last year.

The **Stormwater Drainage Utility Fund** was above target 3.5% due to implementation of a rate increase. Revenue totaled \$14.5 million through the end of the year.

The Enterprise Funds supported by transfers from public trusts have established targets; however, transfers from the trusts that support the operations are based on cash flow needs of the operating fund. These funds range from 5.7% to 14.1% below target, based on the specific needs of those funds.

Revenue in the **Emergency Management Fund** was below target by \$0.2 million or 2.8% through year end.

Special Revenue and Enterprise Funds Revenue				
(Through June 30, 2012)				
Category/Fund	Target	Actual	Difference	% from Target
Sales Tax				
Supported Funds				
Police Sales Tax Fund	36,370,185	37,814,041	1,443,856	4.0%
Fire Sales Tax Fund	36,203,111	37,363,076	1,159,965	3.2%
Zoo Sales Tax Fund	11,639,328	12,407,607	768,279	6.6%
Enterprise Fund				
Supported by Utility Fees				
Stormwater Drainage Utility	14,041,488	14,530,052	488,564	3.5%
Enterprise Funds				
Supported By Transfers from a Trust				
Airports Fund	15,711,853	14,668,244	-1,043,609	-6.6%
Parking/Transit Fund	1,984,340	1,818,930	-165,410	-8.3%
Solid Waste Fund	10,890,149	9,359,242	-1,530,907	-14.1%
Water/Wastewater Fund	82,666,053	77,929,169	-4,736,884	-5.7%
Special Revenue Fund				
Supported By Transfers from the General Fund				
Emergency Management Fund	7,497,474	7,287,711	-209,763	-2.8%
Special Revenue Fund				
Supported By Fees on Court Transactions				
Court Administration Fund	2,034,063	1,891,150	-142,913	-7.0%
Medical Service Program	7,018,000	7,013,745	-4,255	-0.1%
Use Tax				
Supported Funds				
MAPS 3 Use Tax Fund	11,728,264	13,648,223	1,919,959	16.4%
Special Revenue Fund				
Supported By Hotel/Motel Taxes				
Hotel Motel Tax Fund	16,668,682	16,734,073	65,391	0.4%

The **Court Administration and Training Fund** is below target by 7.0% totaling \$1.9 million. This fund is primarily used as a pass-through of fees collected for the state, such as fees for the Automated Fingerprint Identification System (AFIS) and the Council on Law Enforcement Education and Training (CLEET) and other state-mandated fees. The City retains a portion of the collected fees for administration of the program and for training. The number of citations is lower than expected for the year, contributing to this fund being below target.

The **Medical Service Program Fund** contains the revenue from the residential utility bill fee for EMSA TotalCare coverage. The fund is slightly below target for the year, coming in at \$7.0 million.

The **MAPS 3 Use Tax** is \$1.9 million (16.4%) above target, coming in at \$13.6 million.

Overall, revenues in the **Hotel Motel Tax Fund** are coming in at 0.4% above target for the year. The Hotel Motel Tax itself is \$0.7 million (5.9%) above target and totals \$12.0 million through May.

A summary of expenses in each of the special revenue and enterprise funds is in the following table. All of the funds' expenses are below 100% for the year.

Summary of Budget vs. Obligations in Other Operating Funds					
(Through June 30, 2012 - 100% of the year complete)					
Fund	Budget	Expense	Encumbrance	Obligations	Pct
Sales Tax					
Supported Funds					
Police Sales Tax Fund	36,389,407	34,851,606	78,815	34,930,421	96.0%
Fire Sales Tax Fund	36,699,440	35,492,627	72,555	35,565,182	96.9%
Zoo Sales Tax Fund	11,639,328	11,639,328	0	11,639,328	100.0%
Enterprise Fund					
Supported by Utility Fees					
Stormwater Drainage Utility	17,787,386	12,534,714	197,690	12,732,404	71.6%
Enterprise Funds					
Supported By Transfers from a Trust					
Airports Fund	15,736,594	14,965,669	91,510	15,057,179	95.7%
Parking and Transit Fund	1,984,340	1,903,712	3,925	1,907,637	96.1%
Solid Waste Fund	10,890,149	9,726,172	21,019	9,747,191	89.5%
Water/Wastewater Fund	83,098,392	78,074,032	1,234,915	79,308,947	95.4%
Special Revenue Fund					
Supported By Transfers from the General Fund					
Emergency Management Fund	7,681,435	7,371,728	-127	7,371,601	96.0%
Special Revenue Fund					
Supported By Fees on Court Transactions					
Court Administration Fund	2,361,759	1,907,625	-50,527	1,857,098	78.6%
Special Revenue Fund					
Supported By Hotel/Motel Taxes					
Hotel Motel Tax Fund	16,840,897	16,836,147	4,750	16,840,897	100.0%

MAPS 3 Sales Tax Fund

The Revenue and Expenditure Report focuses on the operating funds of the City. However, due to the importance of the MAPS3 Sales Tax Fund, an update on total revenues received to date is being provided. Based on the original projections to reach \$777.1 million at the end of the tax period, the year-end target was \$193.7 million. The City has collected \$201.4 million, resulting in the fund being \$7.6 million or 3.9% ahead of target.

SUMMARY

General Fund revenues are \$18.7 million over target through the end of the year. Sales and Use Tax make up the bulk of this overage, with Sales Tax over target by \$10.7 million (5.7%) and Use Tax collections continuing to significantly exceed expectations, with collections over target by \$5.3 million (15.9%). With obligations coming in just below the total budget, Fund Balance in the General Fund will grow by about \$18.7 million. This will result in an unbudgeted reserve of \$63.8 million or 16.5% of the adopted budget to begin FY 2012-2013.



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City Manager