



City Manager Report

The City of OKLAHOMA CITY

NO: 323

DATE: AUGUST 27, 2013

TO: THE MAYOR AND MEMBERS OF THE CITY COUNCIL

SUBJECT: INTERIM FINANCIAL REPORT THROUGH JUNE 30, 2013

This interim report is intended to provide the Mayor and City Council with a preliminary look at how the City's finances finished the year. The Accounting Services Division has not yet finished their review and the independent auditor has not yet provided their opinion on City finances for Fiscal Year 2012-2013.

Fiscal Year 2012-2013 General Fund Revenue

Through June, General Fund recurring revenue totaled \$390.0 million, which was \$4.4 million (1.1%) above target. This represents an increase over last year of \$5.5 million (1.4%). Revenue for June was below target by \$2.8 million (8.7%), due in part to lower than expected sales and use tax revenue and also the timing of other revenue.

GENERAL FUND REVENUE BY CATEGORY*				
(Through June 30, 2013 - 100% of the year complete)				
Category	Target	Actual	Difference	Percentage
Sales Tax	204,477,369	207,082,944	2,605,575	1.3%
Use Tax	35,444,099	34,351,968	(1,092,131)	(3.1%)
Other Taxes	10,821,542	11,385,725	564,183	5.2%
Franchise Fee	41,454,179	40,841,978	(612,201)	(1.5%)
Licenses, Permits, and Fees	12,807,744	13,743,993	936,249	7.3%
Fines & Forfeitures	22,454,140	24,449,014	1,994,874	8.9%
Charges for Services	35,832,789	35,917,645	84,856	0.2%
Administrative Charges	16,386,149	16,742,049	355,900	2.2%
Other Revenue	3,235,007	2,873,826	(361,181)	(11.2%)
Operating Transfers In	2,739,329	2,626,899	(112,430)	(4.1%)
TOTAL GENERAL FUND*	385,652,347	390,016,043	4,363,696	1.1%

*Excludes budgeted Fund Balance.

Sales Tax was \$2.6 million (1.3%) above target, totaling \$207.1 million for the year. Although collections in the last half of the year were flat, overall growth was 4.3% over last year exceeding the City’s long-term average growth rate of 4.0%.

The chart below shows the growth in the major categories of Sales Tax. Growth in the Retail category has been strong much of the year reflected in the 7.1% year-to-date increase. A slight decline was seen in the Transportation and Utilities category. The Services category, which includes hotels and business services, has a growth rate of 5.7%. The decline of the Wholesale category is mostly the result of one-time refunds made this year.

Major Sales Tax Categories

Category	Year-to-Date Change	% of Sales Tax
Retail	7.1%	62.5%
Transp. & Utilities	-1.1%	11.1%
Services	5.7%	10.4%
Wholesale	-3.6%	10.2%

Use Tax was \$1.1 million (3.1%) below target through June, totaling \$34.4 million. June’s Use Tax collections were 8.3% below target. Use Tax collections ended the year \$4.5 million are below last year (11.5%), primarily due to comparisons to last year’s unusually high remittances in the oil, gas and mining sectors. The chart below shows Use Tax growth by SIC category and demonstrates how dramatic the swings in the various categories can be.

Major Use Tax Categories

Category	Year-to-Date Change	% of Use Tax
Retail	-8.1%	31.5%
Wholesale	-1.5%	27.9%
Services	-5.5%	11.1%
Mining	-44.0%	9.9%
Manufacturing	39.4%	10.0%

The **Other Taxes** category was above target by \$0.6 million (5.2%) for the year, totaling \$11.4 million. Commercial Vehicle Tax revenue continues to be the driver for the overage coming in \$0.6 million (15.6%) over target.

Franchise Fees were below target by \$0.6 million (1.5%) for the year, coming in at \$40.8 million. As reflected in the following table, OG&E, ONG, and Cox Cable had collections below target.

Franchise Fee Revenue	Target	Revenue	Difference	%
Oklahoma Gas and Electric	20,838,812	20,561,114	(277,698)	(1.3%)
Oklahoma Natural Gas	5,740,912	5,384,248	(356,664)	(6.2%)
Oklahoma Electric Cooperative	1,170,555	1,232,928	62,373	5.3%
Cox Cable and Cox Fibernet	7,033,051	6,892,298	(140,753)	(2.0%)
City Utilities	4,398,716	4,453,929	55,213	1.3%
ATT	1,635,756	1,652,872	17,116	1.0%
Other Franchise Remitters	636,377	664,590	28,213	4.4%
Total	41,454,179	40,841,978	(612,201)	(1.5%)

Licenses, Permits, and Fees finished \$0.9 million (7.3%) above target for the year, totaling \$13.7 million. The main drivers of this growth are building and related permits, which combined are \$1.0 million over target for the year. Building Permits alone are currently 11.4% over target and 16.6% over last year.

Fines and Forfeitures total \$24.4 million, which is above target by \$2.0 million (8.9%). The two largest revenue sources in this category are Court Costs and Traffic Fines, which account for 75.4% of total collections. These two revenue sources are over target by 6.6% and 7.9%, respectively or \$1.2 million. Parking fines are also generating more revenue now that many new parking meters are in place; this revenue is currently over target by \$0.5 million or 24.4%.

The **Charges for Services** category was just above target (0.2%) through June with total revenue received of \$35.9 million. 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. This revenue source saw a 20.5% decline during FY12, but has showed significant signs of improvement in FY13, finishing the year 29.0% over last year. While this is impressive year-over-year growth, somewhat discouraging is that June was the second month of decline after 10 consecutive months of growth. This revenue source will continue to be monitored.

Administrative Charges, Other Revenue, and Operating Transfers In categories finished the year at \$22.2 million and were \$0.1 million below target (0.5%).

Fiscal Year 2012-2013 General Fund Obligations

Obligations for the General Fund totaled \$392.0 million or 96.6% of the budget. Obligations include expenses that have been made, as well as encumbrances for purchases that were not completed before year end.

The Personal Services category is the key category since it represents over two-thirds of the General Fund total. As shown in the following table, Personal Services finished at 98.2% of the budget.

General Fund Obligations By Category						
(Through June 30, 2013 - 100% of the year complete)						
Account Class	Budget	Expense	Expense % of Budget	Encumbrance	Obligations	Obligation %
Personal Services	281,708,644	276,510,374	98.2%	285	276,510,659	98.2%
Other Services	74,339,118	67,004,747	90.1%	2,197,027	69,201,774	93.1%
Supplies	10,008,870	7,795,084	77.9%	1,276,642	9,071,726	90.6%
Capital Outlay	579,384	450,672	77.8%	41,923	492,595	85.0%
Debt Service	10,000	2,787	27.9%	0	2,787	27.9%
Transfers	39,136,452	36,509,256	93.3%	248,624	36,757,880	93.9%
Total	405,782,468	388,272,920	95.7%	3,764,501	392,037,421	96.6%

*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 Revenue

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** finished above target for the year. 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. Sales tax collections in each of these funds are 4.3% over last year.

The **Stormwater Drainage Utility Fund** was above target by 4.6% through June with higher than expected utility fees and permits driving most of the growth.

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 11.0% below target to 4.1% above target, based on the specific needs of those funds and their respective beginning balances.

Revenue in the **Emergency Management Fund** was above target by 4.6% through June, totaling \$8.4 million. This is due to higher than expected growth in tariff revenue, which finished 10.9% over target and 2.3% over last year.

The **Court Administration and Training Fund** is above target by 4.6%. 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), 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. This fund is closely related to Fine revenue in the General Fund, which is also over target for the year.

Special Revenue and Enterprise Funds Revenue				
(Through June 30, 2013)				
Category/Fund	Target	Actual	Difference	% from Target
Sales Tax				
Supported Funds				
Police Sales Tax Fund	38,864,374	39,324,380	460,006	1.2%
Fire Sales Tax Fund	38,389,593	38,897,985	508,392	1.3%
Zoo Sales Tax Fund	13,136,479	12,942,684	(193,795)	(1.5%)
Enterprise Fund				
Supported by Utility Fees				
Stormwater Drainage Utility	15,028,374	15,718,230	689,856	4.6%
Enterprise Funds				
Supported By Transfers from a Trust				
Airports Fund	16,710,305	15,463,676	(1,246,629)	(7.5%)
Parking/Transit Fund	2,315,341	2,060,318	(255,023)	(11.0%)
Solid Waste Fund	10,204,206	10,625,869	421,663	4.1%
Water/Wastewater Fund	86,155,514	81,979,557	(4,175,957)	(4.8%)
Special Revenue Fund				
Supported By Transfers from the General Fund				
Emergency Management Fund	8,018,963	8,391,180	372,217	4.6%
Special Revenue Fund				
Supported By Fees on Court Transactions				
Court Administration Fund	1,904,668	1,979,612	74,944	3.9%
Medical Service Program	6,778,088	6,912,528	134,440	2.0%
Use Tax				
Supported Funds				
MAPS 3 Use Tax Fund	12,588,540	12,050,616	(537,924)	(4.3%)
Special Revenue Fund				
Supported By Hotel/Motel Taxes				
Hotel Motel Tax Fund	17,693,100	18,372,305	679,205	3.8%

The **Medical Service Program Fund** contains the revenue from the residential utility bill fee for EMSA TotalCare coverage and is 2.0% above target through June with revenue totaling \$6.9 million.

The **MAPS 3 Use Tax** is under target (4.3%), coming in at \$12.1 million due to lower than expected Use Tax revenue.

The **Hotel Motel Tax Fund**, in total, is 3.8% above target for the year. The Hotel Motel Tax itself continues to show significant growth totaling \$13.1 million through June, which is 6.9% above target and 9.5% over last year.

Other Operating Funds Obligations

A summary of expenses in each of the special revenue and enterprise funds is in the following table.

Summary of Budget vs. Obligations in Other Operating Funds					
(Through June 30, 2013 - 100% of the year complete)					
Fund	Budget	Expense	Encumbrance	Obligations	Pct
Sales Tax					
Supported Funds					
Police Sales Tax Fund	38,500,169	35,766,352	123,150	35,889,502	93.2%
Fire Sales Tax Fund	40,253,255	37,729,380	810,525	38,539,905	95.7%
Zoo Sales Tax Fund	15,070,896	14,886,614	0	14,886,614	98.8%
Enterprise Fund					
Supported by Utility Fees					
Stormwater Drainage Utility	16,583,662	13,264,148	358,346	13,622,494	82.1%
Enterprise Funds					
Supported By Transfers from a Trust					
Airports Fund	16,772,048	15,743,552	101,134	15,844,686	94.5%
Parking and Transit Fund	2,318,982	1,996,449	117	1,996,566	86.1%
Solid Waste Fund	11,209,892	10,112,641	(1,340)	10,111,301	90.2%
Water/Wastewater Fund	87,252,875	80,680,196	1,060,171	81,740,367	93.7%
Special Revenue Fund					
Supported By Transfers from the General Fund					
Emergency Management Fund	8,338,963	8,048,093	129	8,048,222	96.5%
Special Revenue Fund					
Supported By Fees on Court Transactions					
Court Administration Fund	2,300,130	1,881,125	241,003	2,122,128	92.3%
Special Revenue Fund					
Supported By Hotel/Motel Taxes					
Hotel Motel Tax Fund	19,155,586	18,250,265	0	18,250,265	95.3%

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 target through June was for \$289.9 million in collections. The City has collected \$304.7 million resulting in the fund being \$14.7 million or 5.1% ahead of target.

Summary

General Fund revenues finished \$4.4 million (1.1%) over target through the end of the year. The main driver is Sales Tax, which is over target by \$2.6 million. For the year, total obligations are expected to exceed total revenues (not including fund balance) by an estimated \$2.6 million. This occurred because fund balance was budgeted for use on multiple capital projects. Based on these preliminary figures, the General Fund will begin FY 2014 with an unbudgeted fund balance of \$65 million, or about 16% of the adopted budget.

A handwritten signature in black ink, appearing to read 'James D. Couch', written in a cursive style.

James D. Couch
City Manager