



City Manager Report

The City of
OKLAHOMA CITY

NO: 513

DATE: NOVEMBER 4, 2014

TO: THE MAYOR AND MEMBERS OF THE CITY COUNCIL

SUBJECT: INTERIM FINANCIAL REPORT THROUGH SEPTEMBER 30, 2014

This interim report is a budget report to provide the Mayor and City Council with a preliminary look at the City’s finances through the first quarter of FY 2015. This report has not been audited.

General Fund Revenue Fiscal Year 2014-2015

General Fund revenues were **\$0.2 million (0.2%) below target** through September but \$4.2 million (4.2%) above FY14 collections for same time period. Half of the ten revenue categories that make up the General Fund were below target as shown in the table below.

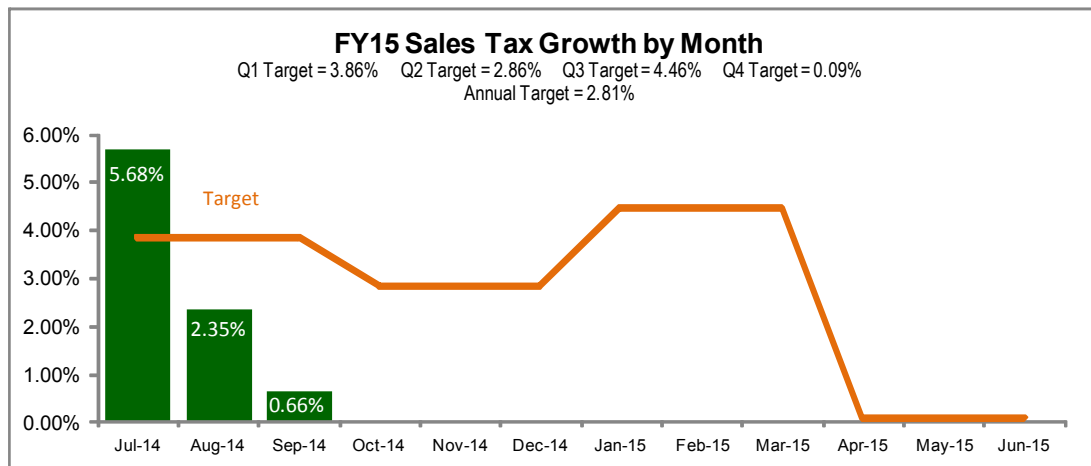


The overall shortfall in General Fund Revenue is attributed to lower than anticipated sales tax, franchise fees, and fines. Growth in licenses, permits, and fees and timing of transfers in to the General Fund helped bring the General Fund closer to the year to date target.

GENERAL FUND REVENUE BY CATEGORY*				
(Through September 30, 2014 - 25% of the year complete)				
Category	Target	Actual	Difference	Percentage
Sales Tax	55,176,347	54,638,544	(537,803)	(1.0%)
Use Tax	9,419,182	9,494,239	75,057	0.8%
Franchise Fee	11,526,307	11,092,266	(434,041)	(3.8%)
Charges for Services	7,834,007	7,890,452	56,445	0.7%
Fines & Forfeitures	6,465,047	6,209,756	(255,291)	(3.9%)
Administrative Charges	4,854,264	4,804,859	(49,405)	(1.0%)
Licenses, Permits, and Fees	3,837,076	4,219,612	382,536	10.0%
Other Taxes	2,986,946	2,970,938	(16,008)	(0.5%)
Other Revenue	646,538	737,399	90,861	14.1%
Operating Transfers In	416,700	862,278	445,578	106.9%
TOTAL GENERAL FUND*	103,162,414	102,920,345	(242,069)	(0.2%)

*Excludes budgeted Fund Balance.

Sales Tax Sales tax is the single largest revenue source in the General Fund and accounted for 53% of year-to-date (YTD) revenue. In FY 2015, sales tax targets were adjusted quarterly to reflect the anticipated growth cycle. Through September, Sales Tax had grown at 2.8% which is lower than projected first quarter growth of 3.86% but spot on the annual target of 2.8% growth. In the second quarter, the target growth rate for sales tax will drop to 2.86%. September was the seventh straight month of sales tax growth.



For further analysis, sales tax is broken down into seven sub-categories to determine where growth is occurring.

YTD AVERAGE GROWTH RATES		
Sales Tax Category	Growth Rate	% of Sales Tax Total
▲ Retail.....	1.0%	49.1%
▲ Hotels & Restaurants.....	3.9%	15.5%
▲ Services.....	4.2%	11.3%
▲ Wholesale.....	0.1%	10.1%
▲ Utilities	2.5%	7.1%
▲ Manufacturing.....	2.4%	4.5%
▲ Miscellaneous.....	200.6%	2.4%
▲ Total	(1.4%)	100%

- **Retail** was the largest sales tax category with average growth of 1% for the first quarter. Strong growth of 7.8% in July was credited to sales in food stores and apparel/accessories but was offset by declines in August and September that were partially attributed to decreases in building materials as sales from tornado related damage boosted totals last year.
- **Hotel and Restaurants** was the second largest sales tax category experiencing strong growth in eating and drinking establishments in July that tapered off in August and September. Flat growth and declines in hotels kept the average YTD growth at 3.9%.
- **Services** experienced normal growth in July and August of about 3% and then strong growth in September of 6.8% due to rentals and leasing which provided average YTD growth of 4.2%.
- **Wholesale** averaged minimal YTD growth of 0.1% in the first quarter.
- **Utilities** experienced strong growth in August with electric and natural gas sales but a slight decline in July and minimal growth in September brought the YTD average growth to 2.5%.

- **Manufacturing** had strong growth in July with more than half of the sub-categories showing improved sales; a slight decline in August and growth of only 3.1% in September brought the average YTD growth to 2.4%.
- **Miscellaneous**, the smallest sales tax category made up 2.4% of all sales tax remittances and averaged YTD growth of 200.6% that was attributed to a large refund given in August of last year.

For additional analysis, refer to the Monthly Sales Tax Report on www.okc.gov.

Use Tax Through September, Use Tax was **\$0.1 million (0.8%) above target** and 9.9% above prior year with a majority of the growth attributed to strong Wholesale revenue in the first quarter. Use Tax had year to date collections of \$9.5 million.

Franchise Fees As a category, Franchise Fees were **\$0.4 million (3.8%) below target** at the end of September due in large part to lower than anticipated electric sales from Oklahoma Gas and Electric. Growth in cable (Cox and ATT) helped offset some of the decline in electric sales but the category remained in negative territory at the end of the first quarter.

Franchise Fee Revenue	Target	Revenue	Difference	%
Oklahoma Gas and Electric	7,229,512	6,634,657	(594,855)	(8.2%)
Oklahoma Natural Gas	876,246	869,009	(7,237)	(0.8%)
Oklahoma Electric Cooperative	398,478	429,266	30,788	7.7%
Cox Cable and Cox Fibernet	1,759,219	1,838,040	78,821	4.5%
City Utilities	750,776	733,536	(17,240)	(2.3%)
ATT	342,733	399,899	57,166	16.7%
Other Franchise Remitters	169,343	187,859	18,516	10.9%
TOTAL FRANCHISE FEE	11,526,307	11,092,266	(434,041)	(3.8%)

Fines and Forfeitures The Fines and Forfeitures category experienced exceptional growth last year but has been unable to sustain the growth from last year; through September this category was **\$0.3 million (3.9%) below target** and 4.2% below the same time period last year. Traffic Fines and Court Costs are the largest drivers in this category and both were down \$0.1 million (4.2%) at the end of the first quarter.

Admin. Charges Administrative charges had collections of \$4.8 million and were **(1.0%) below target** due to the timing of payments.

Charges for Services This revenue category had total revenue of \$7.9 million at the end of September and was **\$0.1 million (0.7%) above target**. During the first quarter, Engineering-related Fees for private development were \$0.4 million (96%) above target and 74% above the same time period last year. Parking meter fees, which had strong growth last year due to an increase in the number of meters and customers opting to reserve the maximum time on the meter, have continued with strong growth and were \$0.1 million (25.6%) above target. Timing of payments from the OKC School District for

Security Services were \$0.5 million (57.1%) below target which kept the overall growth of this category flat.

Licenses, Permits and Fees Licenses, Permits, and Fees were **\$0.4 million (10%) above target**, with collections totaling \$4.2 million. The main driver of growth was building permits that were \$0.6 million (41.56%) over target and 38.98% over last year’s total at this point in the year. Projected revenue collections from the abandoned building program have yet to materialize due to legislative changes that required adjustments to the abandoned buildings program.

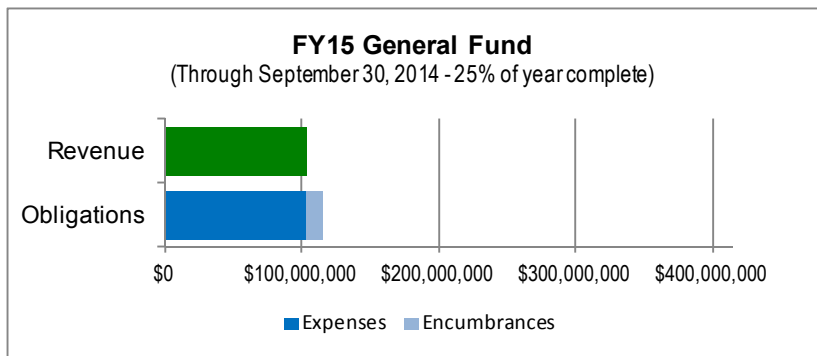
Other Taxes Other taxes, includes sub-categories such as taxes on alcoholic beverages, vehicles, motor fuel and tobacco. The revenue category was slightly **below target (0.5%)** for the year, with collections totaling \$2.9 million.

Other Revenue and Operating Transfers In These are both small revenue categories with combined collections of \$1.6 million that were **\$0.5 million (50%) above target** at the end of the first quarter. The increased revenue collection came from administrative fees associated with nuisance abatement enforcement conducted by the Development Services Department and the annual repayment from SMG for the Distributive Antenna System (DAS) that provides enhanced wireless cellular service at the Chesapeake Arena and Cox Center.

General Fund Obligations Fiscal Year 2014-2015

General Fund Obligations totaled **\$115.9 million** or 27.9% of the budget with 25% of the year complete.

Variances between collected revenue and obligations are common. However, staff continuously monitors revenue and obligations to ensure the two stay relatively in sync as the year progresses. Obligations are reviewed for trends or spending that may be indicators for concern and then noted in the discussion below. Obligations include expenses that have been made, as well as encumbrances.



General Fund Obligations By Category						
(Through September 30, 2014 - 25% of the year complete)						
Account Class	Annual Budget	YTD Expense	% of Budget Expended	Encumbrance	Obligations	% of Budget Obligated
Personal Services	301,354,258	73,899,469	24.5%	4,426	73,903,895	24.5%
Other Services	85,870,853	19,861,121	23.1%	10,657,233	30,518,354	35.5%
Supplies	9,242,188	1,800,856	19.5%	1,644,636	3,445,492	37.3%
Capital Outlay	23,000	11,128	48.4%	0	11,128	48.4%
Debt Service	10,000	1,818	18.2%	0	1,818	18.2%
Transfers	18,547,925	8,021,822	43.2%	0	8,021,822	43.2%
Total	415,048,224	103,596,212	25.0%	12,306,295	115,902,507	27.9%

*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.

Personal Services This category is significant since it represents 73% of the General Fund budget. As shown in the table above, Personal Services finished September with **24.5% of the budget obligated** which was slightly below target for the percent of the year complete. At the end of the first quarter FOP, IAFF and AFSCME had not reached agreement with the City on pay plan changes; nor had changes to the Management pay plan been finalized.

Other Services Obligations through September were **\$30.5 million (35.5%)** and above the percentage of the year that has passed. The \$10.6 million encumbered is for annual services such as utilities, professional services, and management contracts which will be drawn down throughout the year as services are provided.

Supplies Obligations for Supplies totaled **\$3.4 million or 37.3%** of the budget at the end of September. Actual expenses were only 19.5% which is well below the percent of year passed. The \$1.6 million encumbered will be drawn as those supplies are delivered.

Capital Outlay & Debt Service These very small categories were at **48.4%** and **18.2% expended**.

Transfers At the end of September **\$8 million (43.2%)** of the Transfers budget had been expended. Although it is proportionately higher than the percentage of year that has passed the transfers moved funds to appropriate funding streams for planned projects such as \$0.5 million for street repairs, \$0.1 million for legal services, and \$2.5 million for CIP projects approved as part of the FY 2015 budget.

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 most significant operating funds is listed in the chart below with discussion of individual funds before and after.

Special Revenue and Enterprise Funds Revenue (Through September 30, 2014)				
Category/Fund	Target	Actual	Difference	% from Target
Sales Tax Supported Funds				
Police Sales Tax Fund	10,490,063	10,259,186	(230,877)	(2.2%)
Fire Sales Tax Fund	10,363,166	10,267,468	(95,698)	(0.9%)
Zoo Sales Tax Fund	3,448,522	3,414,918	(33,604)	(1.0%)
Enterprise Fund Supported by Utility Fees				
Stormwater Drainage Utility	3,969,752	4,454,382	484,630	12.2%
Enterprise Funds Supported by Transfers from a Trust				
Airports Fund	5,000,820	4,584,349	(416,471)	(8.3%)
Parking/Transit Fund	909,877	909,665	(212)	(0.0%)
Solid Waste Fund	2,728,102	3,353,495	625,393	22.9%
Water/Wastewater Fund	29,344,066	27,814,351	(1,529,715)	(5.2%)
Special Revenue Fund Supported by Transfers from the General Fund				
Emergency Management Fund	2,269,297	2,209,938	(59,359)	(2.6%)
Special Revenue Fund Supported by Fees on Court Transactions				
Court Administration Fund	536,689	493,115	(43,574)	(8.1%)
Special Revenue Fund Supported by Fees on the Residential Utility Bill				
Medical Service Program	1,685,112	1,711,865	26,753	1.6%
Special Revenue Fund Supported by Hotel/Motel Taxes				
Hotel Motel Tax Fund	6,280,030	5,763,643	(516,387)	(8.2%)

Police, Fire and Zoo Sales Taxes

The special revenue funds supported by the dedicated Police, Fire, and Zoo Sales Taxes were **1.0% below target** for the year in collected sales tax due to lower than anticipated sales tax collections. Minimal revenue collections from interest earnings, sale of City property and rental of communication towers account for the additional variances in the funds.

Stormwater Drainage Utility Fund

The Stormwater Drainage Utility Fund was **\$0.4 million (12.2%) above target** at the end of the first quarter due to higher than projected utility fee revenue and timing of reimbursements from ODOT, both of which were \$0.2 million above target.

Enterprise Funds

Enterprise Funds are supported by transfers from public trusts and have established targets; however, transfers into the Enterprise Fund are based on cash flow needs for the operating fund. Below target revenue for Enterprise Funds is normally positive as it indicates operating expenses are below budgeted amounts and not as much revenue is needed. Airports, Parking and Water were below target and Solid Waste was above target due to the timing of transfers to ensure funding was in place prior to encumbrance of expenses.

<i>Emergency Management Fund</i>	The Emergency Management Fund was \$0.1 million (2.6%) below target at the end of the first quarter due to timing of transfers from the General Fund and telephone tariff being revenue being slightly below target. Revenue totaled \$2.2 million.
<i>Court Administration and Training Fund</i>	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. The fund was \$0.1 million (8.1%) below target at the end of the first quarter with revenue of \$0.5 million. This fund is closely related to Fine revenue in the General Fund, which is also under target for the year.
<i>Medical Services Program Fund</i>	The Medical Services Program Fund contains revenue from the residential utility bill fee for EMSACare coverage and was 1.6% above target with collected revenue of \$1.7 million at the end of the first quarter. EMSACare provides emergency medical transport through EMSA and while September is the annual open enrollment period, there is usually little change in participation.
<i>Hotel Motel Tax Fund</i>	This fund was \$0.5 million (8.2%) below target through September due to the timing of transfers related to debt service payments and lower than anticipated Hotel Motel Tax collections. In July, tax collections were 14% below target, flat in August, and 4% above target in September. At the end of the first quarter, Hotel Motel Tax was 1.71% below collections for the same period in the prior year.

Special Revenue and Enterprise Funds Obligations

A summary of expenses in each of the significant operating funds that receive their funding from special revenue or enterprise operations are shown in the table on the next page. **All of the funds were at or below the expected level of 25%** through September.

Summary of Budget vs. Obligations in Other Operating Funds (Through September 30, 2014 - 25% of the year complete)					
Fund	Budget	Expense	Encumbrance	Obligations	Pct
Sales Tax Supported Funds					
Police Sales Tax Fund	40,523,252	9,554,713	328,677	9,883,390	24.4%
Fire Sales Tax Fund	41,339,505	9,298,931	810,133	10,109,064	24.5%
Zoo Sales Tax Fund	13,667,230	3,414,909	0	3,414,909	25.0%
Enterprise Fund Supported by Utility Fees					
Stormwater Drainage Utility	15,891,221	3,035,034	632,236	3,667,270	23.1%
Enterprise Funds Supported by Transfers from a Trust					
Airports Fund	16,909,301	3,889,979	76,467	3,966,446	23.5%
Parking and Transit Fund	2,552,969	501,780	9,350	511,130	20.0%
Solid Waste Fund	11,770,175	2,487,163	80,394	2,567,557	21.8%
Water/Wastewater Fund	85,970,389	18,758,004	1,538,052	20,296,056	23.6%
Special Revenue Fund Supported by Transfers from the General Fund					
Emergency Management Fund	8,077,417	2,046,191	262	2,046,453	25.3%
Special Revenue Fund Supported by Fees on Court Transactions					
Court Administration Fund	2,301,589	448,544	56,619	505,163	21.9%
Special Revenue Fund Supported by Fees on Residential Utility Bill					
Medical Services Program	6,802,643	1,349,497	0	1,349,497	19.8%
Special Revenue Fund Supported by Hotel/Motel Taxes					
Hotel Motel Tax Fund	23,344,708	4,969,296	0	4,969,296	21.3%

MAPS 3 Sales Tax Fund

The intent of this report is to focus on revenue and expenditures on the operating funds of the City. However, due to the importance of the MAPS 3 Sales Tax Fund, an update on total revenues received to date is also provided. Based on the original projections to reach \$777.1 million at the end of the tax period, the target through September was for \$413.6 million in collections. The City had **collected \$438.6 million** resulting in the fund being **\$25.1 million or 6.1% ahead of target**. Approximately \$9 million of over target revenue was designated for sidewalk improvements by Council on December 3, 2013; leaving the fund approximately \$16.1 million ahead of target after the adjustment.

Summary

The General Fund finished the first quarter with overall **revenue growth of 4.2%** which was \$0.2 million (0.2%) below target. Sales tax was below the quarterly target but met the annual target of 2.8%. Use Tax experienced strong growth all quarter long and finished at 9.9% growth which was 0.8% above target. Private Development fees finished the first quarter with growth of 74% and Building Permits followed with growth of 38.98%. Staff will continue to closely monitor revenues in the coming months to assess the impact on the current operating budget.


 James D. Couch
 City Manager