



Chandler • Arizona
Where Values Make The Difference

MEMORANDUM

Management Services Memo No. 14-044

DATE: JANUARY 29, 2014

TO: MAYOR & COUNCIL

THRU: RICH DLUGAS, CITY MANAGER RD
DAWN LANG, MANAGEMENT SERVICES DIRECTOR ^{DL}

FROM: GREG WESTRUM, BUDGET MANAGER ^{GW}

SUBJECT: FY 2013-14 SECOND QUARTER FINANCIAL REPORT

Attached is the FY 2013-14 Second Quarter Financial Report, summarizing budget to actual performance of General Fund operating revenue and expenditures, and additional summaries and analysis of Enterprise, System Development Fees and Impact Fees, Highway User Tax, and Grant funds. The analysis included in this report provides a snapshot as of the end of the second quarter of FY 2013-14 by reflecting budget to actual compared to historical trends and the prior year.

As a refresher, the purpose of the Quarterly Financial Report is to provide historical comparisons to identify trends or deviations from trends, use performance benchmarks to measure results, and create an executive level report to highlight potential issues or concerns. The historical trends cover actual results over the last four years (FY 2009-10 to FY 2012-13). These years have had significant fluctuations in revenues that are particularly sensitive to economic and market conditions and significant changes to expenditures as the revenues decreased. Due to this, the current results compared to the historical trends may require further explanation. An explanation has been provided in those areas where there are significant deviations from the trend or last year's results.

Most General Fund revenue categories continue to reflect positive signs of economic recovery, and some of the one-time impacts of the Intel expansion are still showing.

Should you have any questions, please feel free to call me at x2256 or Dawn Lang at x2255.

Attachment

cc: Pat McDermott, Assistant City Manager
Marsha Reed, Assistant City Manager



QUARTERLY FINANCIAL REPORT

2nd Qtr FY13-14

PERFORMANCE AT A GLANCE

GENERAL FUND REVENUE		YEAR TO DATE COMPARED TO HISTORICAL %	REFERENCE
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PERFORMANCE INDICATORS

POSITIVE	= Variance < 2% compared to historical trends or positive variance > 0% for % to budget.
WARNING	= Variance of 2 - 5% compared to historical trends.
NEGATIVE	= Variance of > 5% compared to historical trends or negative variance < 0% for % to budget.

THE QUARTERLY FINANCIAL REPORT

Report Objectives

- * Provide historical comparisons to identify trends or deviations from trends.
- * Develop performance benchmarks to measure positive and negative results.
- * Create an executive level report to highlight potential issues or concerns.

What is Included in the Report

The report emphasizes General Fund, with analysis of its revenue and each category of revenue, and the expenditures by department. Also included is a summary and analysis of Enterprise Funds, System Development Fee and Impact Fee Funds, the Highway User Tax Fund, and Grants.

How to Read the Report

- * Page 1 serves as a table of contents and quick view of performance issues.
- * The benchmarks are Positive (navy colored), Warning (grey colored), and Negative (maroon colored), providing an initial indicator to determine if the category needs to be monitored closely in the upcoming period.
- * Performance indicators for General Fund *revenue* are comparing the percent of year-to-date actuals collected to total budget AND the budget prorated based on the historical trend (last four years) of average actual year-to-date collections.
- * Performance indicators for General Fund *expenditures* are based on whether they are within budget for the percent of year-to-date actuals expended plus encumbrances compared to the total budgeted expenditures.
- * Performance indicators for Enterprise Funds focus on the relationship between Operating Revenues and Operating Expenses (including debt service and indirect cost allocation) and the percentage of budget received/expended.

ECONOMIC INDICATORS

GROSS DOMESTIC PRODUCT (GDP)		INTEREST RATES	
Real gross domestic product - the output of goods and services produced by labor and property located in the US.		This table reflects the four most recent changes to the Federal Funds Rate by the Federal Reserve Board.	
The change to the GDP is an indicator of the general direction of the economy. Slow or negative growth will likely mean lower revenues for the City.		Lowering the Federal Funds Rate is a way for the Federal Reserve Board to make it less expensive for banks to borrow money for loans and investments and (in theory) pumping additional dollars into the economy. Recent announcements state this rate will remain low through 2015.	
Fourth Quarter 2012 (latest estimate)	0.1%	April 30, 2008	2.0%
First Quarter 2013 (revised estimate)	1.1%	October 8, 2008	1.5%
Second Quarter 2013 (second estimate)	2.5%	October 29, 2008	1.0%
Third Quarter 2013 (third estimate)	4.1%	December 16, 2008 to date	0% - 0.25%
<i>Source: US Department of Commerce</i>		<i>Source: Federal Reserve Bank</i>	

UNEMPLOYMENT

	National	State of Arizona	Phoenix Metro Area
Sep-13	7.2%	8.3%	7.1%
Oct-13	7.3%	8.2%	6.8%
Nov-13	7.0%	7.8%	6.0%
Dec-13	6.7%	7.6%	6.2%

High unemployment rates are a reflection of a slow economy and the reduced demand for goods and services. The Phoenix Metro Area unemployment rate is typically lower than the national and state rates.

Source: Arizona Department of Commerce, "Arizona Workforce" Newsletter

CITY INVESTMENT PORTFOLIO

The City splits its investment portfolio between two investment firms with a different mix of holdings at each firm to reduce risk.		
Fiscal Year 2013-14 Rate of Return	2nd Quarter	Fiscal Year
Benchmark:	0.05%	0.27%
Wells Capital Management:	0.09%	0.35%
PFM:	0.06%	0.32%
Fiscal Year 2012-13 Rate of Return	2nd Quarter	Fiscal Year
Benchmark:	0.09%	0.22%
Wells Capital Management:	0.10%	0.22%
PFM:	0.11%	0.20%

The City's benchmark is the 0-3 year Merrill Lynch Treasury Index while last year it was the one-year Merrill Lynch Treasury Note (change occurred as of the third quarter of last fiscal year to current benchmark). Rate of return includes interest earnings as well as both realized and unrealized gains/(losses).

Source: Investment Advisors

BUILDING PERMITS

Single-family building permits are an indicator of the general economy. Higher numbers of permits indicate an active construction market and resultant home sales.		
	State of Arizona	Chandler
Jul - Aug - Sep 2012	4,366	134
Oct - Nov - Dec 2012	3,464	89
Jan - Feb - Mar 2013	4,223	143
Apr - May - Jun 2013	5,455	167
Jul - Aug - Sep 2013	4,544	133
Oct - Nov - Dec 2013	3,908	102

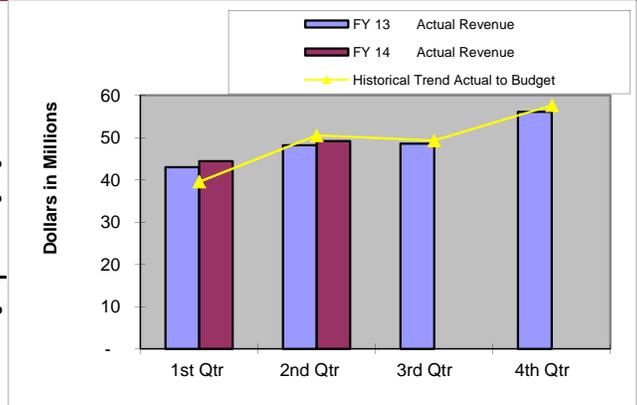
Single family building permits are lower than the high-growth years, averaging 128 permits over the last six quarters. Fewer building permits generally equates to less new construction, lower permit fee revenues and lower sales tax revenues.

Source: U.S. Census Bureau, City of Chandler Transportation & Development Department.

REVENUE ANALYSIS:

OVERALL GENERAL FUND REVENUES FY 2013-2014

		FY 14 Adjusted Budget	FY 14 Actual Revenue	% of Budget Rec'd	*% of Budget Hist. Rec'd
1st Qtr	Jul - Sep 13	\$ 40,977,394	\$ 44,465,892	23.8%	21.2%
2nd Qtr	Oct - Dec 13	46,636,811	49,153,476	26.3%	27.0%
3rd Qtr	Jan - Mar 14	45,765,973			
4th Qtr	Apr - Jun 14	53,647,180			
Total		\$ 187,027,358	\$ 93,619,368	50.1%	48.2%



* Pro-rated based upon a four year Historical Trend of Actual Year-to-date Collections

POSITIVE

General Fund revenue collections through the second quarter of FY 2013-14 are \$6.0M (6.9%) above the budget based on historical trend and \$2.5M (2.7%) higher than actual collections through the second quarter of FY 2012-13.

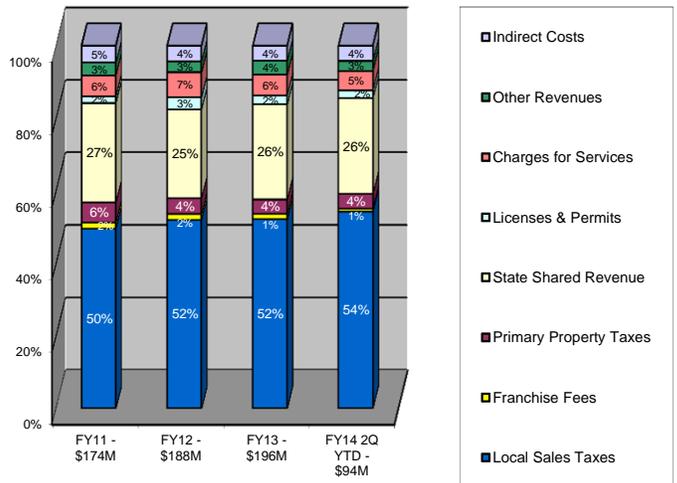
Overall, General Fund revenue, led by continuing strong Sales Tax collections, are performing well due to higher consumer confidence and a steady stream of new development activity in Chandler.

The following charts provide more detail regarding the various sources of General Fund revenues.

GENERAL FUND REVENUES BY CATEGORY FY 2013-2014

Revenue Categories	FY 14 Adjusted Budget	FY 14 Actual Revenue	% of Budget Rec'd to Date
Sales Tax	\$ 95,211,000	\$ 50,805,174	53.4%
Franchise Fees	2,875,000	785,641	27.3%
Primary Property Tax	7,250,000	3,800,503	52.4%
State Shared Revenue	53,613,700	24,696,866	46.1%
Licenses & Permits	3,476,000	2,000,308	57.5%
Charges for Services	10,572,450	5,067,990	47.9%
Other Revenues	6,187,250	2,541,907	41.1%
Indirect Cost Allocation	7,841,958	3,920,979	50.0%
Total	\$ 187,027,358	\$ 93,619,368	50.1%

General Fund Collection History by Category %



POSITIVE

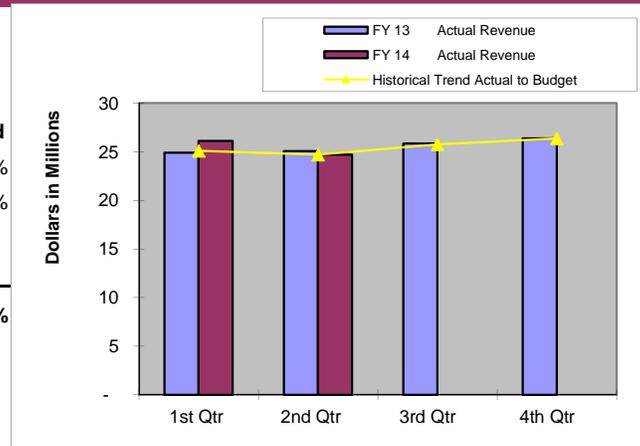
This chart summarizes General Fund revenue collections by category for FY 2013-14. The graph helps us visualize what percentage each revenue category is to the total General Fund. As you can see, the percentage spread of revenue sources are relatively consistent over the years with local sales taxes and state shared revenues being the largest General Fund revenue sources. The next several pages provide an analysis of each revenue category except Indirect Cost Allocation (payments by the Water, Wastewater, Solid Waste, and Airport Enterprise Funds to the General Fund for City services provided for operations).

REVENUE ANALYSIS (continued):

SALES TAX REVENUE FY 2013-2014

	FY 14 Adopted Budget	FY 14 Actual Revenue	% of Budget Rec'd	*% of Budget Hist. Rec'd
1st Qtr Jul - Sep 13	\$ 23,509,384	\$ 26,109,219	27.4%	26.3%
2nd Qtr Oct - Dec 13	22,861,122	24,695,955	25.9%	25.9%
3rd Qtr Jan - Mar 14	24,126,036			
4th Qtr Apr - Jun 14	24,714,458			
Total	\$ 95,211,000	\$ 50,805,174	53.3%	52.2%

* Pro-rated based upon a four year Historical Trend of Actual Year-to-date Collections

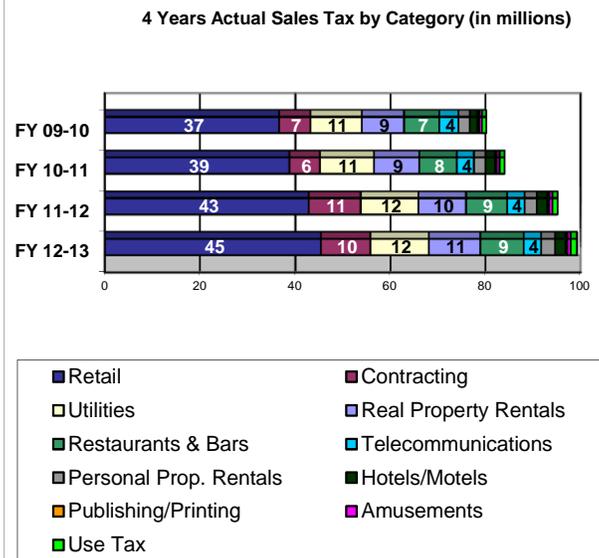


POSITIVE

Figures above **include** Local Sales Tax Collections and the related revenues of License Fees, Audit Assessments, Penalties, and Interest. Sales tax collections through the second quarter of FY 2013-14 are \$4.4M (9.6%) above the budget based on historical trend and \$826,516 (1.7%) higher than FY 2012-13 actual collections through the second quarter. Although it was anticipated that the April 2013 opening of the new outlet mall west of the City would have a negative impact on collections, this has not happened to date. Staff is continuing to monitor retail sales tax revenues from the Chandler Fashion Center and surrounding retail area. The cooler weather may benefit the outdoor outlet mall and possibly impact local retail sales from January through March. Increased spending related to development activity and higher consumer confidence has contributed to greater Local Sales Tax collections.

SALES TAX COLLECTION HISTORY

	FY 14 Adopted Budget	FY 14 Actual Revenue	% of Actual to Budget	% Chg from Prior Yr
Retail	\$ 42,700,000	\$ 22,396,508	52.5%	7.0%
Contracting	9,300,000	5,084,013	54.7%	-9.9%
Utilities	12,400,000	7,203,210	58.1%	0.4%
Real Property Rentals	9,800,000	5,362,700	54.7%	2.9%
Restaurants & Bars	8,800,000	4,500,777	51.1%	8.7%
Telecommunications	3,800,000	1,683,481	44.3%	-11.7%
Personal Prop. Rentals	2,300,000	1,249,248	54.3%	-12.3%
Hotels/Motels	1,900,000	994,052	52.3%	6.2%
Publishing/Printing	300,000	122,344	40.8%	-24.6%
Amusements	650,000	353,287	54.4%	11.4%
Use Tax	800,000	565,514	70.7%	-15.1%
TOTAL SALES TAX	\$ 92,750,000	\$ 49,515,134	53.4%	2.1%



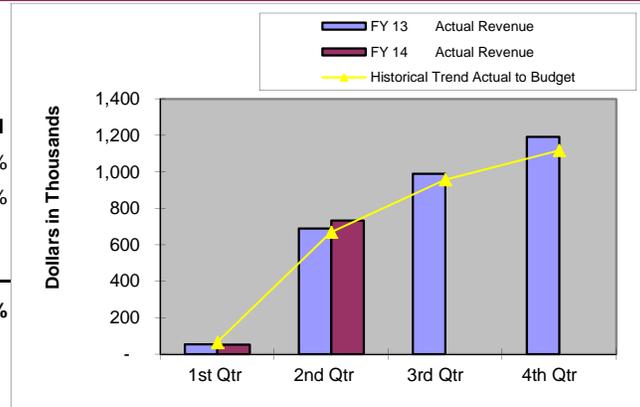
The above figures reflect Sales Tax Collections by category and **exclude** the related revenues of License Fees, Audit Assessments, Penalties, and Interest. Sales Tax collections through the second quarter of FY 2013-14 were \$4.4M (9.7%) above the budget based on historical trend and \$1.0M (2.1%) higher than FY 2012-13 collections through the second quarter. Lower Contracting and Use Tax collections have declined compared to the prior year from high one-time collections related to the Intel construction project. Telecommunications and Personal Property Rentals have declined compared to the prior year due to a few large taxpayers filing late, so these categories should recover in the next quarter. The decline in Publishing/Printing is a result of an amendment to the Model City Tax Code, so continued declines compared to prior years are anticipated.

REVENUE ANALYSIS (continued):

FRANCHISE FEE REVENUE FY 2013-2014

		FY 14 Adopted Budget	FY 14 Actual Revenue	% of Budget Rec'd	*% of Budget Hist. Rec'd
1st Qtr	Jul - Sep 13	\$ 66,514	\$ 51,979	1.8%	2.3%
2nd Qtr	Oct - Dec 13	684,711	733,662	25.5%	23.3%
3rd Qtr	Jan - Mar 14	979,894			
4th Qtr	Apr - Jun 14	1,143,881			
Total		\$ 2,875,000	\$ 785,641	27.3%	25.6%

* Pro-rated based upon a four year Historical Trend of Actual Year-to-date Collections



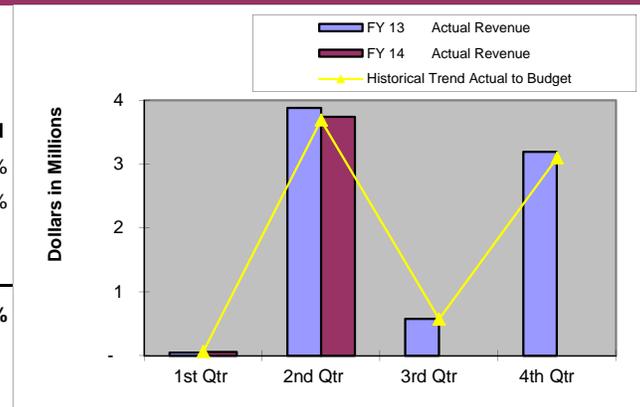
POSITIVE

Franchise Fees are paid by Arizona Public Service (2% of Commercial and Residential Sales), Southwest Gas Corporation (2% of Commercial and Residential Sales), Cox Communications (5% of Gross Revenue), and Air Products (2% of Gross Sales). Qwest Cable Services (5% of Gross Sales) revenues are included in the first year of the four-year historical trend of actual collections since Qwest exited the cable business at the beginning of FY 2010-11, making the percentage of budget historically received higher in the first quarter. Franchise fee collections through the second quarter of FY 2013-14 are \$34,416 (4.6%) above the budget based on historical trend and \$41,048 (5.5%) higher than FY 2012-13 actual collections through the second quarter.

PRIMARY PROPERTY TAX REVENUE FY 2013-2014

		FY 14 Adopted Budget	FY 14 Actual Revenue	% of Budget Rec'd	*% of Budget Hist. Rec'd
1st Qtr	Jul - Sep 13	\$ 61,390	\$ 60,319	0.8%	0.9%
2nd Qtr	Oct - Dec 13	3,604,289	3,740,184	51.6%	50.9%
3rd Qtr	Jan - Mar 14	558,877			
4th Qtr	Apr - Jun 14	3,025,444			
Total		\$ 7,250,000	\$ 3,800,503	52.4%	51.8%

* Pro-rated based upon a four year Historical Trend of Actual Year-to-date Collections



POSITIVE

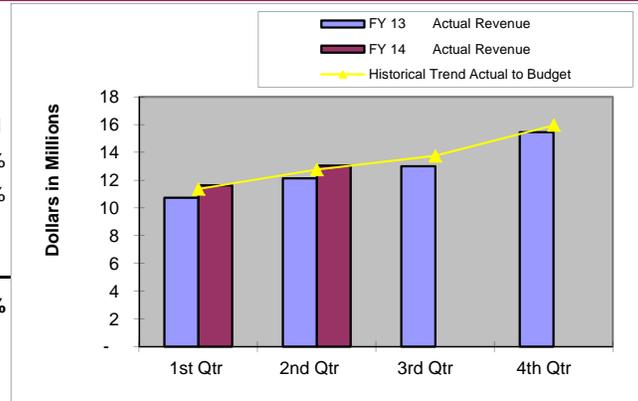
This presentation only includes primary property taxes (supporting General Fund operations) and does not include secondary property taxes (supporting debt service on capital projects and recorded in the General Obligation Debt Service Fund). Property tax collections are due starting October 1st and March 1st each year. For FY 2013-14, Chandler will collect a primary tax rate of \$0.3292 per \$100 of assessed valuation and a secondary tax rate of \$0.9422 per \$100 of assessed valuation for a total rate of \$1.2714, representing **no** increase from the rates adopted for FY 2012-13. Due to the two-year lag in recording assessed valuations, FY 2010-11 was the first year to reflect significant drops in market value. FY 2011-12 and FY 2012-13 also brought in lower property tax collections as a result of continuing declines in assessed valuations. Primary property tax collections through the second quarter of FY 2013-14 are \$134,824 (3.7%) above the budget based on historical trend and \$128,679 (-3.3%) lower than FY 2012-13 actual collections through the second quarter.

REVENUE ANALYSIS (continued):

STATE SHARED REVENUE FY 2013-2014

		FY 14 Adopted Budget	FY 14 Actual Revenue	% of Budget Rec'd	*% of Budget Hist. Rec'd
1st Qtr	Jul - Sep 13	\$ 11,125,945	\$ 11,632,502	21.7%	21.2%
2nd Qtr	Oct - Dec 13	12,969,539	13,064,364	24.4%	23.8%
3rd Qtr	Jan - Mar 14	13,661,293			
4th Qtr	Apr - Jun 14	15,856,923			
Total		\$ 53,613,700	\$ 24,696,866	46.1%	45.0%

* Pro-rated based upon a four year Historical Trend of Actual Year-to-date Collections



POSITIVE

-- **State Shared Sales Tax:** The state sales tax rate is currently 5.6%, of which a portion of the various categories of sales tax are distributed to cities and towns based on population as state shared sales tax. Collections through the second quarter of FY 2013-14 are \$406,261 (5.3%) above the budget based on historical trend and \$472,482 (6.2%) higher than FY 2012-13 actual collections through the second quarter. This revenue category reflects a small but steady growth in Arizona's overall economy.

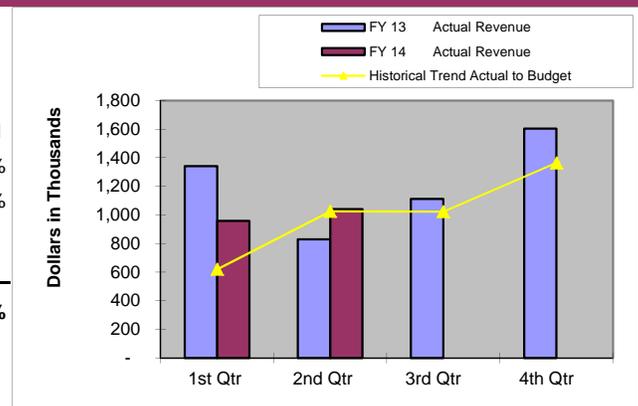
-- **Vehicle License Tax:** Cities and towns receive 25% of the net revenues collected for vehicle licensing within their county from the state. The respective city shares are determined by the proportion of city population to total incorporated population of the county. Collections through the second quarter of FY 2013-14 are \$194,902 (6.0%) above the budget based on historical trend and \$230,509 (7.2%) higher than FY 2012-13 actual collections through the second quarter.

-- **Urban Revenue Sharing:** Fifteen percent (15%) of the 2011 State income tax collection is distributed to cities and towns as urban revenue sharing based upon population and is known for budget purposes. Collections through the second quarter of FY 2013-14 are \$219 (less than 0.01%) above the budget based on historical trend and \$1.1M (9.2%) higher than FY 2012-13 actual collections through the second quarter. This revenue category reflects activity from two years ago due to the lag in distributing to cities and towns, so is reflecting some improvement over the 2010 "recession" year.

LICENSES & PERMITS REVENUE FY 2013-2014

		FY 14 Adopted Budget	FY 14 Actual Revenue	% of Budget Rec'd	*% of Budget Hist. Rec'd
1st Qtr	Jul - Sep 13	\$ 534,402	\$ 958,923	27.6%	17.8%
2nd Qtr	Oct - Dec 13	883,691	1,041,385	30.0%	29.5%
3rd Qtr	Jan - Mar 14	881,966			
4th Qtr	Apr - Jun 14	1,175,941			
Total		\$ 3,476,000	\$ 2,000,308	57.6%	47.3%

* Pro-rated based upon a four year Historical Trend of Actual Year-to-date Collections



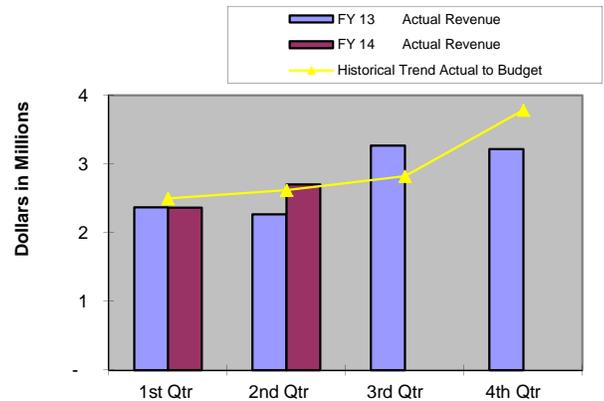
POSITIVE

This category includes revenue for various licenses: transaction privilege sales tax, alcoholic beverages, peddlers and solicitors, secondhand and junk dealers, amusements, and professional/occupational licenses, as well as cable license application fees. In addition, revenue from building, alarm, and fiber optic permits are included. License and permit collections through the second quarter of FY 2013-14 are \$582,215 (41.1%) above the budget based on historical trend and \$171,523 (-7.9%) lower than FY 2012-13 actual collections through the second quarter. Budgeted revenues in this category were forecasted at reduced levels, with \$4.8M budgeted in this category in FY 2012-13 and \$3.5M for FY 2013-14, mainly due to anticipated lower revenues from building permits. Although actual collections have declined as expected this fiscal year, the percentage of budget received is higher than prior years due to the reduced budget.

REVENUE ANALYSIS (continued):

CHARGES FOR SERVICES REVENUE FY 2013-2014

		FY 14 Adopted Budget	FY 14 Actual Revenue	% of Budget Rec'd	*% of Budget Hist. Rec'd
1st Qtr	Jul - Sep 13	\$ 2,252,061	\$ 2,365,260	22.4%	23.6%
2nd Qtr	Oct - Dec 13	2,361,254	2,702,730	25.6%	24.8%
3rd Qtr	Jan - Mar 14	2,545,234			
4th Qtr	Apr - Jun 14	3,413,901			
Total		\$ 10,572,450	\$ 5,067,990	48.0%	48.4%



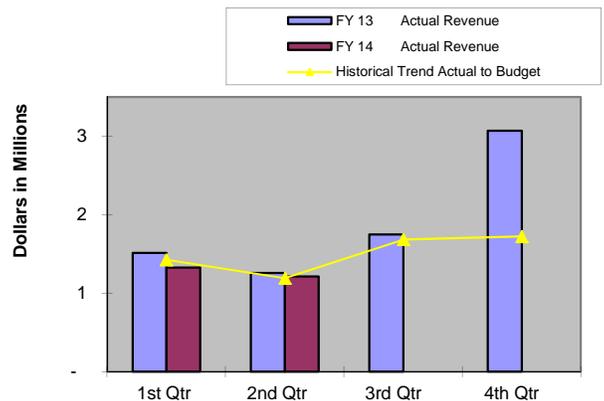
* Pro-rated based upon a four year Historical Trend of Actual Year-to-date Collections

POSITIVE

Charges for Services include revenue from various engineering, recreation, and library fees, police and fire miscellaneous service reimbursements, and public school reimbursement. Charges for services collections through the second quarter of FY 2013-14 are \$454,675 (9.9%) above the budget based on historical trend and \$428,368 (9.2%) higher than FY 2012-13 actual collections through the second quarter.

OTHER REVENUE FY 2013-2014

		FY 14 Adjusted Budget	FY 14 Actual Revenue	% of Budget Rec'd	*% of Budget Hist. Rec'd
1st Qtr	Jul - Sep 13	\$ 1,467,205	\$ 1,327,201	21.5%	23.0%
2nd Qtr	Oct - Dec 13	1,311,718	1,214,706	19.6%	19.2%
3rd Qtr	Jan - Mar 14	1,636,961			
4th Qtr	Apr - Jun 14	1,771,366			
Total		\$ 6,187,250	\$ 2,541,907	41.1%	42.2%



* Pro-rated based upon a four year Historical Trend of Actual Year-to-date Collections

POSITIVE

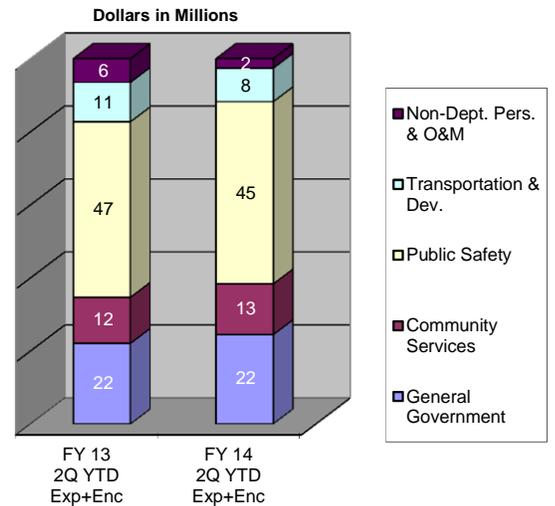
Other revenue captures interest income, fines and forfeitures, lump sum agreements, sale of land and fixed assets, and other miscellaneous items. Revenue streams in this category are not constant. Other revenue collections through the second quarter of FY 2013-14 are \$237,016 (-8.5%) below the budget based on historical trend and \$227,776 (-8.2%) lower than FY 2012-13 actual collections through the second quarter. Revenues are lower than the prior fiscal year due to a large one-time revenue (\$269,000) in FY 2012-13 from Kinder Morgan for a pipeline project.

EXPENDITURE ANALYSIS:

GENERAL FUND EXPENDITURES + ENCUMBRANCES for FY 2013-2014 by FUNCTION

	FY 14 Adjusted Budget	FY14 Actual Exp+Enc	% of Budget Exp'd	% of Budget Prior Yr
* Dept. Operating				
General Government	\$ 44,487,642	\$ 22,099,100	49.7%	49.0%
Community Services	24,479,811	12,542,438	51.2%	51.0%
Public Safety	91,959,369	45,080,332	49.0%	51.4%
Transportation & Dev.	19,886,601	8,277,066	41.6%	55.6%
Non-Dept. Pers. & O&M	6,403,945	2,352,778	36.7%	53.9%
Subtotal	\$ 187,217,368	\$ 90,351,714	48.3%	51.4%
Non-Dept. Reserves	\$ 3,820,972	\$ -	0.0%	0.0%
Non-Dept. Contingencies	20,763,726	-	0.0%	0.0%
Total	\$ 211,802,066	\$ 90,351,714	42.7%	45.7%

* Excluding Interfund Transfers



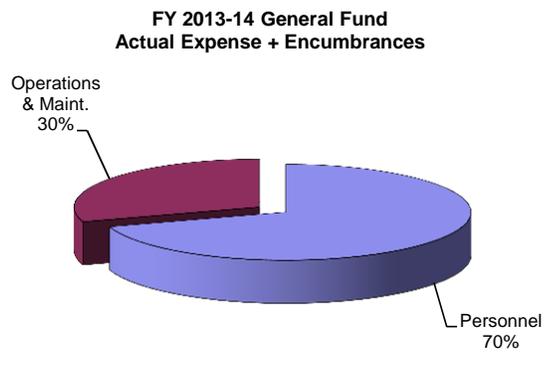
Total General Fund operating expenditures are reflected by City function, along with budgeted non-departmental reserves (encumbrance and unencumbered carryforward, utility, fuel, and downtown redevelopment) and contingencies (12% and Council). Since General Obligation debt and General Fund capital expenses are reflected in the General Obligation Debt and General Capital Projects Funds, this presentation only includes General Fund operating expenditures to more clearly reflect the results of operations.

FY 2013-14 operating spending through the second quarter is 48.3% of the adjusted budget compared to 51.4% of adjusted budget spent last fiscal year through the second quarter. As shown on the following pages, departments have expended between 41.5% and 53.2% of their General Fund adjusted budgets through the second quarter of FY 2013-14.

GENERAL FUND EXPENDITURES + ENCUMBRANCES for FY 2013-2014 by CATEGORY

*Dept. Operating	FY 14 Adjusted Budget	FY 14 Actual Exp+Enc	FY 13 Actual Exp+Enc	% change from Prior Yr Actual
Personnel	\$ 139,807,926	\$ 63,293,970	\$ 66,315,440	-4.6%
Operations & Maint.	47,409,442	27,057,744	31,769,618	-14.8%
Reserves	3,820,972	-	-	0.0%
Contingencies	20,763,726	-	-	0.0%
Total	\$ 211,802,066	\$ 90,351,714	\$ 98,085,058	-7.9%

* Excluding Interfund Transfers

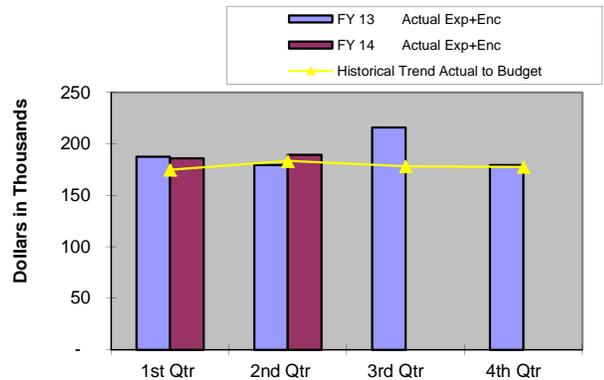


Total General Fund operating expenditures and encumbrances are reflected by spending category. Personnel spending through the second quarter of FY 2013-14 is 4.6% lower than spending through the second quarter of FY 2012-13 mainly due to the one-time personnel payments based on union contract commitments and general (non-bargaining) employee compensation made during the first quarter of last year. Operations and Maintenance spending through the second quarter of FY 2013-14 is 14.8% lower than spending through the same period in the prior year due to last year's non-departmental spending on the Strategic Economic Development Continuum project.

EXPENDITURE ANALYSIS (continued / department summaries):

MAYOR & COUNCIL EXPENDITURE 2013-2014 COMPARISON

		FY 14	FY 14	% of	*Hist.
		Adjusted	Actual	Budget	Trend % of
Operating Only		Budget	Exp+Enc	Expended	Budget
				by Qtr	
1st Qtr	Jul - Sep 13	\$ 193,936	\$ 186,026	23.0%	21.6%
2nd Qtr	Oct - Dec 13	210,097	189,300	23.4%	22.7%
3rd Qtr	Jan - Mar 14	202,016			
4th Qtr	Apr - Jun 14	202,016			
Total		\$ 808,065	\$ 375,326	46.4%	44.3%



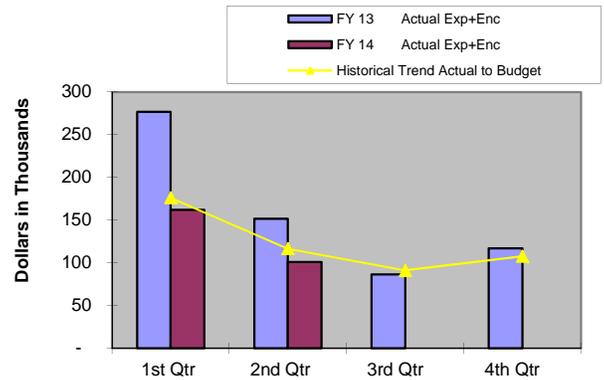
* Historical Trend represents the average of the past 4 years % of actual to budget

POSITIVE

Mayor and Council spent 46.4% of their FY 2013-14 adjusted budget and has historically spent 44.3% of their adjusted budget through the second quarter of the fiscal year.

CITY CLERK EXPENDITURE 2013-2014 COMPARISON

		FY 14	FY 14	% of	*Hist.
		Adjusted	Actual	Budget	Trend % of
Operating Only		Budget	Exp+Enc	Expended	Budget
				by Qtr	
1st Qtr	Jul - Sep 13	\$ 213,658	\$ 162,153	27.3%	29.7%
2nd Qtr	Oct - Dec 13	142,439	101,042	17.0%	19.6%
3rd Qtr	Jan - Mar 14	112,764			
4th Qtr	Apr - Jun 14	124,634			
Total		\$ 593,495	\$ 263,195	44.3%	49.3%



* Historical Trend represents the average of the past 4 years % of actual to budget

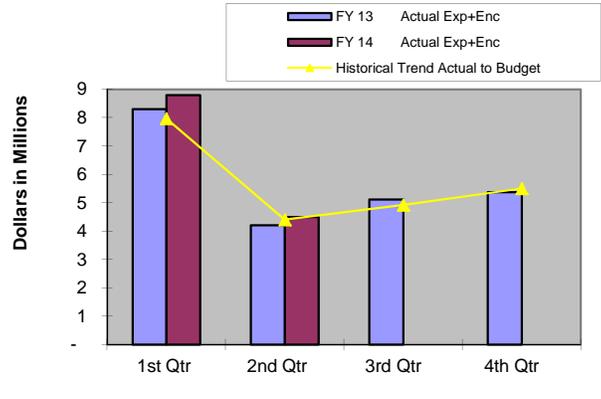
POSITIVE

The City Clerk has spent 44.3% of their FY 2013-14 adjusted budget and has historically spent 49.3% of their adjusted budget through the second quarter of the fiscal year. FY 2012-13 spending included expenditures for the primary election in the first quarter and the general election in the second quarter.

EXPENDITURE ANALYSIS (continued / department summaries):

CITY MANAGER EXPENDITURE 2013-2014 COMPARISON

		FY 14 Adjusted Budget	FY 14 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only					
1st Qtr	Jul - Sep 13	\$ 8,743,887	\$ 8,799,622	35.2%	31.8%
2nd Qtr	Oct - Dec 13	4,831,921	4,501,437	18.0%	17.6%
3rd Qtr	Jan - Mar 14	5,397,190			
4th Qtr	Apr - Jun 14	6,042,599			
Total		\$ 25,015,597	\$ 13,301,059	53.2%	49.4%



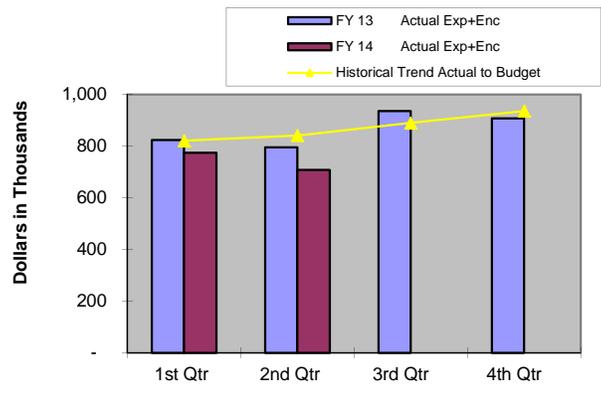
* Historical Trend represents the average of the past 4 years % of actual to budget

POSITIVE

City Manager includes the following divisions budgeted in the General Fund: Administration, Buildings & Facilities, Human Resources, Information Technology, Economic Development, Office of Neighborhood Resources, and Downtown Redevelopment. Combined, they spent 53.2% of their FY 2013-14 adjusted budget and have historically spent 49.4% of their adjusted budget through the second quarter of the fiscal year.

LAW EXPENDITURE 2013-2014 COMPARISON

		FY 14 Adjusted Budget	FY 14 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only					
1st Qtr	Jul - Sep 13	\$ 858,351	\$ 774,359	21.7%	22.9%
2nd Qtr	Oct - Dec 13	858,351	708,433	19.8%	23.5%
3rd Qtr	Jan - Mar 14	929,881			
4th Qtr	Apr - Jun 14	929,881			
Total		\$ 3,576,464	\$ 1,482,792	41.5%	46.4%



* Historical Trend represents the average of the past 4 years % of actual to budget

POSITIVE

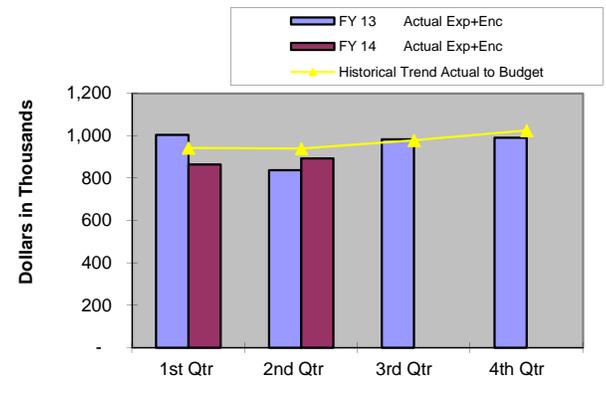
Law spent 41.5% of their FY 2013-14 adjusted budget and has historically spent 46.4% of their adjusted budget through the second quarter of the fiscal year.

EXPENDITURE ANALYSIS (continued / department summaries):

CITY MAGISTRATE EXPENDITURE 2013-2014 COMPARISON

		FY 14	FY 14	% of	*Hist.
		Adjusted	Actual	Budget	Trend % of
Operating Only		Budget	Exp+Enc	Expended	Budget
				by Qtr	
1st Qtr	Jul - Sep 13	\$ 1,019,397	\$ 864,820	20.6%	22.4%
2nd Qtr	Oct - Dec 13	1,015,771	893,759	21.3%	22.3%
3rd Qtr	Jan - Mar 14	1,059,485			
4th Qtr	Apr - Jun 14	1,108,425			
Total		\$ 4,203,078	\$ 1,758,579	41.9%	44.7%

* Historical Trend represents the average of the past 4 years % of actual to budget



POSITIVE

City Magistrate spent 41.9% of their FY 2013-14 adjusted budget and has historically spent 44.7% of their adjusted budget through the second quarter of the fiscal year.

COMMUNICATIONS & PUBLIC AFFAIRS EXP. 2013-2014 COMPARISON

		FY 14	FY 14	% of	*Hist.
		Adjusted	Actual	Budget	Trend % of
Operating Only		Budget	Exp+Enc	Expended	Budget
				by Qtr	
1st Qtr	Jul - Sep 13	\$ 658,632	\$ 613,496	27.0%	24.8%
2nd Qtr	Oct - Dec 13	476,940	470,993	20.7%	17.8%
3rd Qtr	Jan - Mar 14	567,786			
4th Qtr	Apr - Jun 14	567,786			
Total		\$ 2,271,144	\$ 1,084,489	47.7%	42.6%

* Historical Trend represents the average of the past 4 years % of actual to budget



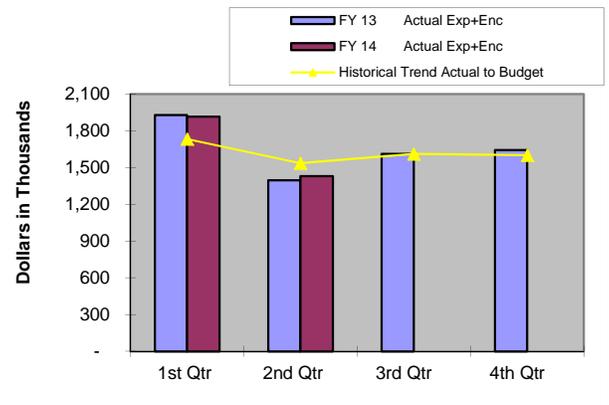
POSITIVE

Communications and Public Affairs (CAPA) also includes Video Production and Print, Mail, & Graphics. CAPA spent 47.7% of their FY 2013-14 adjusted budget and has historically spent 42.6% of their adjusted budget through the second quarter of the fiscal year. There has been additional replenishment needed for bulk postage in the current fiscal year, which will be recharged to the using Department as the year progresses.

EXPENDITURE ANALYSIS (continued / department summaries):

MANAGEMENT SERVICES EXPENDITURE 2013-2014 COMPARISON

		FY 14 Adjusted Budget	FY 14 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only					
1st Qtr	Jul - Sep 13	\$ 1,900,134	\$ 1,916,230	27.2%	24.6%
2nd Qtr	Oct - Dec 13	1,689,008	1,429,626	20.3%	21.8%
3rd Qtr	Jan - Mar 14	1,759,384			
4th Qtr	Apr - Jun 14	1,689,009			
Total		\$ 7,037,535	\$ 3,345,856	47.5%	46.4%



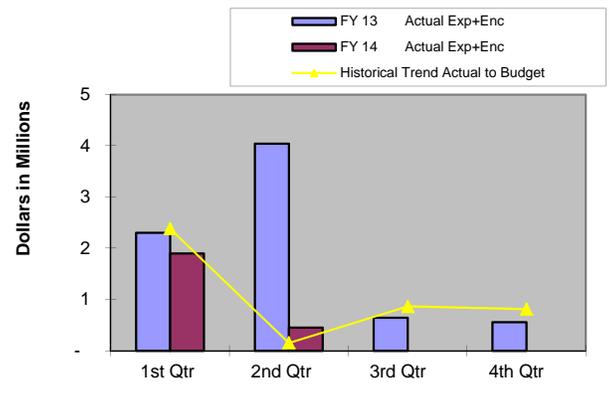
* Historical Trend represents the average of the past 4 years % of actual to budget

POSITIVE

Management Services Department includes the following divisions budgeted in the General Fund: Administration, Budget, Accounting, Purchasing, Central Supply, Tax & License, and Utility Services (reimbursed by the Municipal Utilities Department through the Indirect Cost Allocation). These divisions spent 47.5% of their FY 2013-14 adjusted budget and have historically spent 46.4% of their adjusted budget through the second quarter of the fiscal year.

NON-DEPARTMENTAL EXPENDITURE 2013-2014 COMPARISON

		FY 14 Adjusted Budget	FY 14 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only					
1st Qtr	Jul - Sep 13	\$ 3,650,249	\$ 1,900,501	29.7%	37.2%
2nd Qtr	Oct - Dec 13	256,158	452,277	7.1%	2.4%
3rd Qtr	Jan - Mar 14	1,344,828			
4th Qtr	Apr - Jun 14	1,152,710			
Total**		\$ 6,403,945	\$ 2,352,778	36.8%	39.6%



* Historical Trend represents the average of the past 4 years % of actual to budget

** Excludes Reserves and Contingencies

POSITIVE

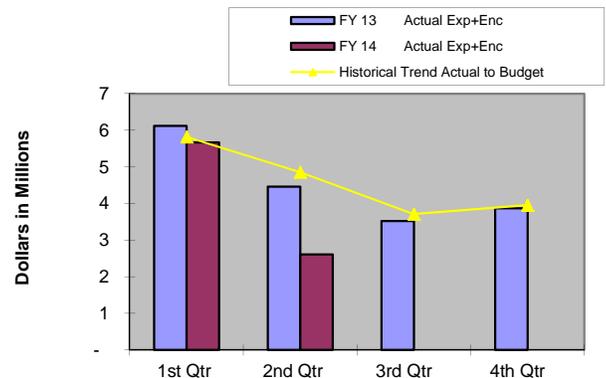
Non-Departmental includes citywide costs that do not belong to a specific department (i.e., memberships, legal fees, studies, Strategic Economic Development, and miscellaneous Downtown Redevelopment). Spending in this category fluctuates due to the changing "one-time" needs from year to year. The largest expenditures for this category for FY 2013-14 and the prior year include the Strategic Economic Development Continuum project.

EXPENDITURE ANALYSIS (continued / department summaries):

TRANSPORTATION & DEVELOPMENT EXPENDITURE 2013-2014 COMPARISON

		FY 14 Adjusted Budget	FY 14 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only					
1st Qtr	Jul - Sep 13	\$ 6,363,712	\$ 5,670,115	28.5%	29.3%
2nd Qtr	Oct - Dec 13	5,170,516	2,606,951	13.1%	24.4%
3rd Qtr	Jan - Mar 14	3,977,320			
4th Qtr	Apr - Jun 14	4,375,053			
Total		\$ 19,886,601	\$ 8,277,066	41.6%	53.7%

* Historical Trend represents the average of the past 4 years % of actual to budget



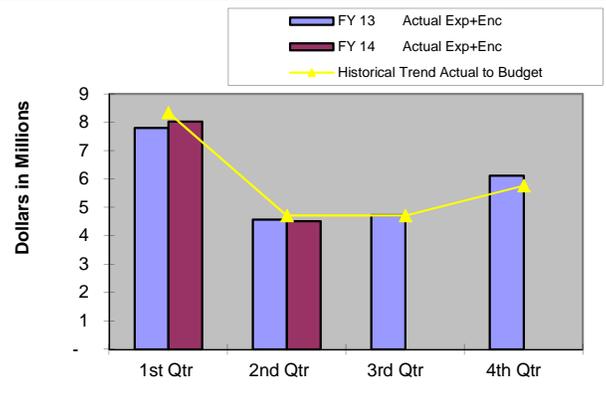
POSITIVE

Transportation and Development includes the following divisions budgeted in the General Fund: Administration, Planning, Development Services, Engineering, Capital Projects, Streets, Traffic Engineering, Transit Services, and Street Sweeping. The department spent 41.6% of their FY 2013-14 adjusted budget and has historically spent 53.7% of their adjusted budget through the second quarter of the fiscal year. There has been significantly reduced spending on Asphaltic Pavement in the Streets Division in the current year, but there is work to renew contracts and initiate spending in this area.

COMMUNITY SERVICES EXPENDITURE 2013-2014 COMPARISON

		FY 14 Adjusted Budget	FY 14 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only					
1st Qtr	Jul - Sep 13	\$ 8,567,934	\$ 8,026,999	32.8%	34.1%
2nd Qtr	Oct - Dec 13	4,895,962	4,515,439	18.4%	19.3%
3rd Qtr	Jan - Mar 14	4,895,962			
4th Qtr	Apr - Jun 14	6,119,953			
Total		\$ 24,479,811	\$ 12,542,438	51.2%	53.4%

* Historical Trend represents the average of the past 4 years % of actual to budget



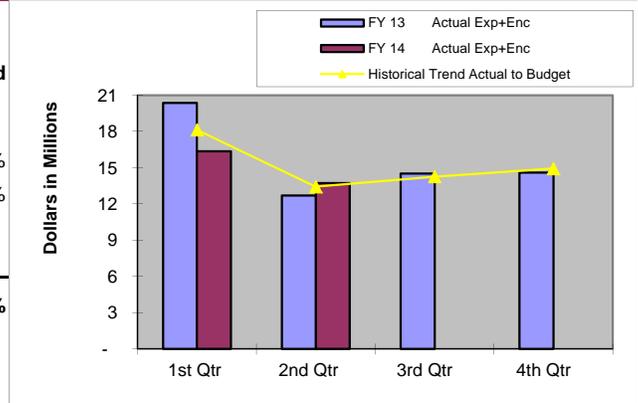
POSITIVE

Community Services includes Administration, Center for the Arts, Library, Aquatics, Parks Development & Operations, Recreation, Sports & Fitness Facilities, Nature & Recreation Facilities, and Museum. The department spent 51.2% of their FY 2013-14 adjusted budget and has historically spent 53.4% of their adjusted budget through the second quarter of the fiscal year.

EXPENDITURE ANALYSIS (continued / department summaries):

POLICE EXPENDITURE 2013-2014 COMPARISON

		FY 14 Adjusted Budget	FY 14 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only					
1st Qtr	Jul - Sep 13	\$ 18,631,554	\$ 16,357,958	26.3%	29.2%
2nd Qtr	Oct - Dec 13	13,663,140	13,736,241	22.1%	21.6%
3rd Qtr	Jan - Mar 14	14,284,191			
4th Qtr	Apr - Jun 14	15,526,295			
Total		\$ 62,105,180	\$ 30,094,199	48.4%	50.8%



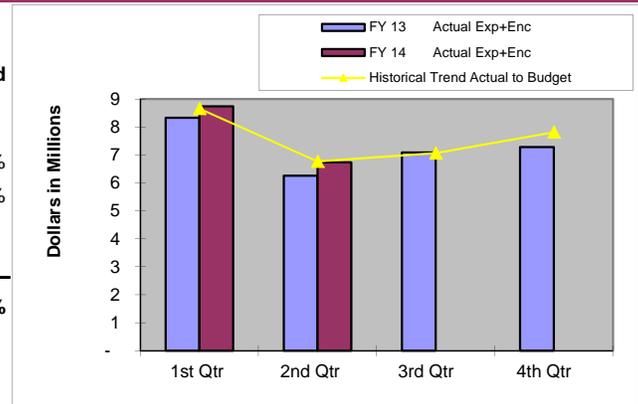
* Historical Trend represents the average of the past 4 years % of actual to budget

POSITIVE

Police includes Administration, Professional Standards, Property & Evidence, Forensic Services, Field Operations, Criminal Investigations, Planning & Research, Communications, Records, Detention Services, and Community Resources & Training. The department spent 48.4% of their FY 2013-14 adjusted budget and has historically spent 50.8% of their adjusted budget through the second quarter of the fiscal year.

FIRE EXPENDITURE 2013-2014 COMPARISON

		FY 14 Adjusted Budget	FY 14 Actual Exp+Enc	% of Budget Expended by Qtr	*Hist. Trend % of Budget
Operating Only					
1st Qtr	Jul - Sep 13	\$ 8,942,571	\$ 8,739,134	28.3%	28.1%
2nd Qtr	Oct - Dec 13	6,784,020	6,734,803	21.8%	21.9%
3rd Qtr	Jan - Mar 14	7,092,384			
4th Qtr	Apr - Jun 14	8,017,478			
Total		\$ 30,836,453	\$ 15,473,937	50.1%	50.0%



* Historical Trend represents the average of the past 4 years % of actual to budget

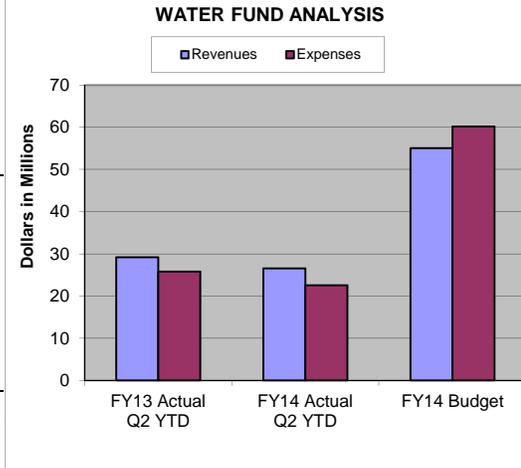
POSITIVE

Fire includes Administration, Emergency Services, Operations, Prevention & Preparedness, Support Services, and Citywide Fleet. The department spent 50.1% of their FY 2013-14 adjusted budget and has historically spent 50.0% of their adjusted budget through the second quarter of the fiscal year.

OTHER FUNDS ANALYSIS:

WATER FUND ANALYSIS 2013-2014 COMPARISON

WATER FUND	FY 14 Adjusted Budget	FY 14 Actual Revenue/ Exp+Enc	% of Budget Rec'd/Exp'd to Date	% of Budget Prior Yr
Revenues	\$ 52,300,500	\$ 25,968,726	50%	49%
Intel Rev/Receivable	2,746,511	598,337	22%	79%
Total Revenues	\$ 55,047,011	\$ 26,567,063	48%	51%
Operating Expenses	\$ 31,295,082	\$ 16,437,168	53%	47%
Major Capital Expenses	2,142,462	652,260	30%	80%
Intel Exp/Payable	2,746,511	598,337	22%	79%
Debt Service	20,081,652	2,869,999	14%	16%
Transfers Out	3,894,381	1,995,654	51%	51%
Total Expenses	\$ 60,160,088	\$ 22,553,418	37%	41%
Net Rev / Exp	\$ (5,113,077)	\$ 4,013,645		



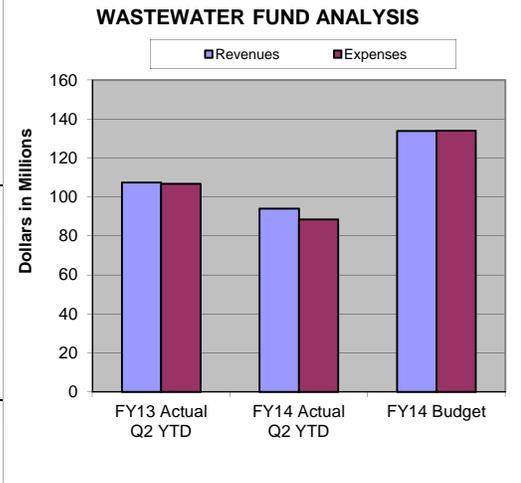
POSITIVE

The performance indicator for Enterprise Funds focuses on the relationship between Operating Revenues and Operating Expenses (including debt service and indirect cost allocation) and the percentage of budget received/expended.

Water Department includes the following divisions: Administration, Water Distribution, Water Treatment Plant, Environmental Resources, Water Quality, Water Production Facilities, and Water Capital. The Water Operating Fund supports operating functions and major capital costs that can be paid without borrowing. The Net Revenue/Expense for FY 2013-14 reflects a budgeted \$5.1 million drawdown of fund balance. Transfers Out include Indirect Cost Allocation to the General Fund of \$3,797,454 and payment of \$96,927 to the Technology Replacement Fund. Year-to-date **Operating Revenues** through the second quarter are 50% of budget compared to 49% through the second quarter of last year, while **Operating Expenses** through the second quarter are 53% of budget as compared to 47% through the second quarter of last year. Capital projects reimbursed by Intel are detailed separately under Revenues and Expenses to have no impact on the fund.

WASTEWATER FUND ANALYSIS 2013-2014 COMPARISON

WASTEWATER FUND	FY 14 Adjusted Budget	FY 14 Actual Revenue/ Exp+Enc	% of Budget Rec'd/Exp'd to Date	% of Budget Prior Yr
Revenues	\$ 39,402,700	\$ 19,141,570	49%	46%
Intel Rev/Receivable	94,444,326	74,880,762	79%	81%
Total Revenues	\$ 133,847,026	\$ 94,022,332	70%	72%
Operating Expenses	\$ 18,729,381	\$ 9,206,789	49%	58%
Major Capital Expenses	3,956,832	912,865	23%	39%
Intel Exp/Payable	94,444,326	74,880,762	79%	81%
Debt Service	14,553,546	2,339,712	16%	18%
Transfers Out	2,400,687	1,218,944	51%	51%
Total Expenses	\$ 134,084,772	\$ 88,559,072	66%	71%
Net Rev / Exp	\$ (237,746)	\$ 5,463,260		



POSITIVE

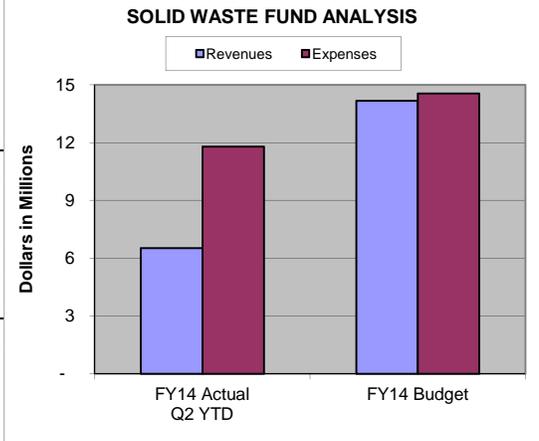
The performance indicator for Enterprise Funds focuses on the relationship between Operating Revenues and Operating Expenses (including debt service and indirect cost allocation) and the percentage of budget received/expended.

Wastewater Department includes the following divisions: Collection, Wastewater Treatment Plant, Wastewater Quality, Airport Reclamation Facility, Ocotillo Water Reclamation Facility, and Wastewater Capital. The Wastewater Operating Fund supports operating functions and major capital costs that can be paid without borrowing. The Net Revenue/Expense for FY 2013-14 reflects a budgeted \$238K drawdown of fund balance. Transfers Out include Indirect Cost Allocation to the General Fund of \$2,363,487 and payment of \$37,200 to the Technology Replacement Fund. Year-to-date **Operating Revenues** through the second quarter are 49% of budget compared to 46% through the second quarter of last year, while **Operating Expenses** through the second quarter are 49% of budget as compared to 58% through the second quarter of last year. Capital projects reimbursed by Intel are detailed separately under Revenues and Expenses to have no impact on the fund.

OTHER FUNDS ANALYSIS (continued):

SOLID WASTE FUND ANALYSIS 2013-2014 COMPARISON

SOLID WASTE	FY 14 Adjusted Budget	FY 14 Actual Revenue/Exp+Enc	% of Budget Rec'd/Exp'd to Date	% of Budget Prior Yr
Revenues	\$ 14,177,667	\$ 6,532,532	46%	47%
Total Revenues	\$ 14,177,667	\$ 6,532,532	46%	47%
Operating Expenses	\$ 13,235,740	\$ 11,089,649	84%	81%
Major Capital Expenses	73,337	66,202	90%	100%
Transfers Out	1,251,175	645,667	52%	51%
Total Expenses	\$ 14,560,252	\$ 11,801,518	81%	79%
Net Rev / Exp	\$ (382,585)	\$ (5,268,986)		



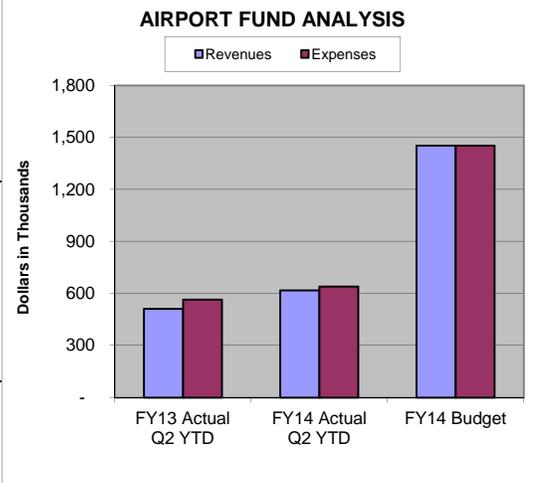
WARNING

The performance indicator for Enterprise Funds focuses on the relationship between Operating Revenues and Operating Expenses (including debt service and indirect cost allocation) and the percentage of budget received/expended.

The Solid Waste Operating Fund supports operating functions and major capital costs that can be paid without borrowing. The Net Revenue/Expense for FY 2013-14 reflects a budgeted \$382,585 drawdown of fund balance. Transfers Out include Indirect Cost Allocation to the General Fund of \$1,211,017 and payment of \$40,158 to the Technology Replacement Fund. Year-to-date **Operating Revenues** through the second quarter are 46% of budget compared to 47% through the second quarter of last year, while **Operating Expenses** through the second quarter are 84% of budget as compared to 81% last year. A warning indicator occurs due to large encumbrances (\$8.0M) recorded at the start of the fiscal year for the Solid Waste collections contract to support costs through the end of the fiscal year and then spent against for the remainder of the year, with revenues more equally apportioned throughout the year.

AIRPORT FUND ANALYSIS 2013-2014 COMPARISON

AIRPORT FUND	FY 14 Adjusted Budget	FY 14 Actual Revenue/Exp+Enc	% of Budget Rec'd/Exp'd to Date	% of Budget Prior Yr
Revenues	\$ 1,095,153	\$ 532,317	49%	49%
General Fund Subsidy	357,794	86,040	24%	4%
Total Revenues	\$ 1,452,947	\$ 618,357	43%	38%
Operating Expenses	\$ 1,189,188	\$ 566,603	48%	50%
Major Capital Expenses	135,021	17,242	13%	2%
Debt Service	23,388	1,694	7%	9%
Transfers Out	105,350	55,350	53%	53%
Total Expenses	\$ 1,452,947	\$ 640,889	44%	44%
Net Rev / Exp	\$ -	\$ (22,532)		



POSITIVE

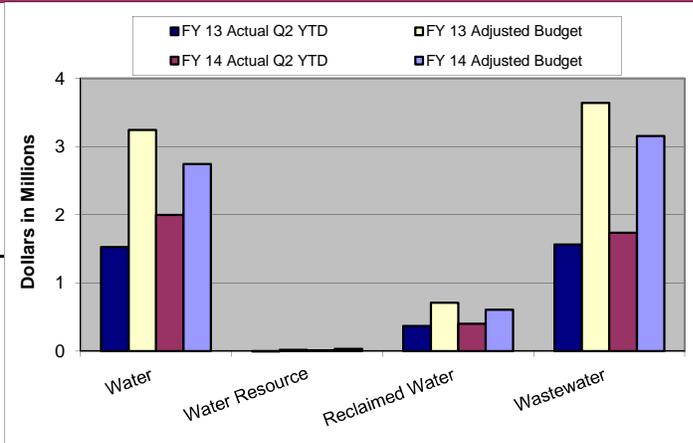
The performance indicator for Enterprise Funds focuses on the relationship between Operating Revenues and Operating Expenses (including debt service and indirect cost allocation) and the percentage of budget received/expended.

The Airport Fund supports operating functions and major capital costs that can be paid without borrowing. The Net Revenue/Expense for FY 2013-14 reflects no budgeted change in fund balance. General Fund Subsidy reflects budgeted transfers from the General Fund to help support operations, and was increased by \$100,000 during the second quarter to offset legal costs associated with an FAA Part 16 complaint. Transfers Out include Indirect Cost Allocation to the General Fund of \$100,000 and a payment of \$5,350 to the Technology Replacement Fund. Year-to-date **Operating Revenues** through the second quarter are 49% of budget compared to 49% through the second quarter of last year, with revenues now reflecting the Airport Fund's share of fuel taxes. **Operating Expenses** through the second quarter are 48% of budget as compared to 50% through the second quarter of last year.

OTHER FUNDS ANALYSIS (continued):

SYSTEM DEVELOPMENT FEE FUNDS ANALYSIS 2013-2014 COMPARISON

SYSTEM DEVELOPMENT FEE (SDF) FUNDS	FY 14 Adjusted Budget	FY 14 Actual Revenue	% of Budget Rec'd to Date
Water	\$ 2,745,000	\$ 1,998,974	73%
Water Resource	34,100	11,193	33%
Reclaimed Water	608,700	402,660	66%
Wastewater	3,156,600	1,738,550	55%
Total SDF Revenue	\$ 6,544,400	\$ 4,151,377	63%



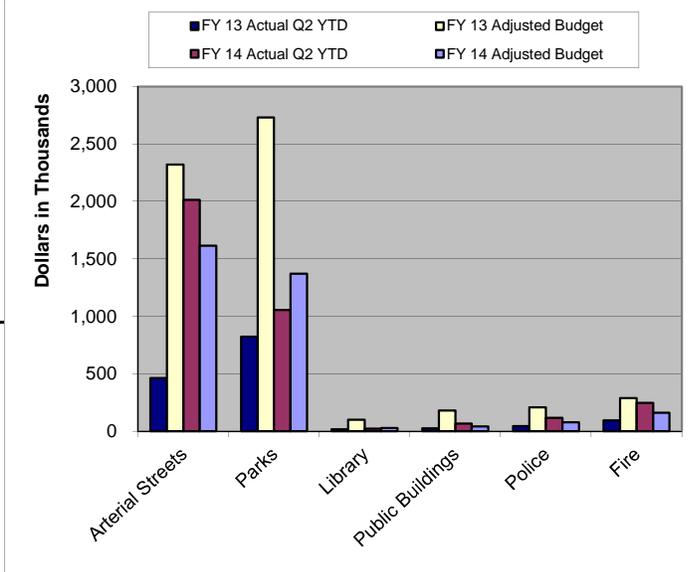
Note: Budget and Actual amounts reflect SDF revenues and the interest earned on fund balances, and excludes loan transfers in/out or proceeds from bond sales.

POSITIVE

System Development fees (SDFs) are based on development and fluctuate quarterly as well as from year to year. The graph shows the FY 2013-14 budget and year-to-date collections as compared to the FY 2012-13 budget and year-to-date collections. Collections through the second quarter of FY 2012-13 were 45% of the budget as compared to this year's collections through the second quarter of 63% of the budget.

IMPACT FEE FUNDS ANALYSIS 2013-2014 COMPARISON

IMPACT FEE FUNDS	FY 14 Adjusted Budget	FY 14 Actual Revenue	% of Budget Rec'd to Date
Arterial Streets	\$ 1,615,400	\$ 2,012,961	125%
Parks	1,371,800	1,055,069	77%
Library	28,200	21,412	76%
Public Buildings	42,500	67,836	160%
Police	77,100	116,020	150%
Fire	161,200	247,819	154%
Total Impact Revenue	\$ 3,296,200	\$ 3,521,117	107%



Note: Budget and Actual amounts reflect Impact Fee revenues and the interest earned on fund balances, and excludes loan transfers in/out or proceeds from bond sales.

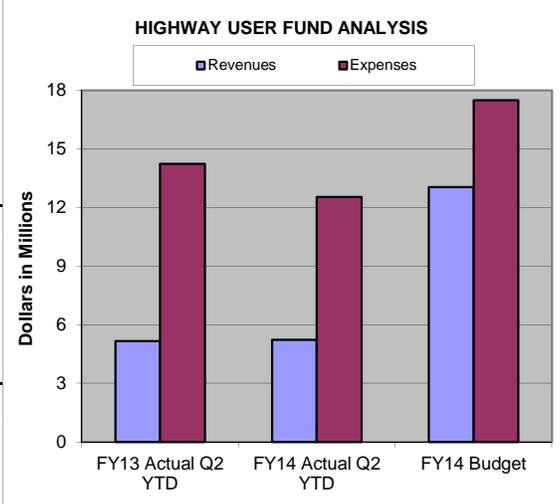
POSITIVE

Impact fees are based on development and fluctuate quarterly as well as from year to year. The graph shows the FY 2013-14 budget and year-to-date collections as compared to FY 2012-13 budget and year-to-date collections. Collections through the second quarter of FY 2012-13 were 25% of the budget as compared to this year's collections through the second quarter of 107% of the budget. Please note that there are outstanding credits owed to developers in the Arterial Street Fund, so in any year the revenues collected have the potential to be reduced by payment of the credit to the developer.

OTHER FUNDS ANALYSIS (continued):

HIGHWAY USER FUND (HURF) ANALYSIS 2013-2014 COMPARISON

	FY14 Adjusted Budget	FY 14 Actual Revenue/ Exp+Enc	% of Budget Rec'd/Exp'd to Date	% of Budget Prior Yr
Highway Users Tax	\$ 13,000,000	\$ 5,094,041	39%	41%
Other	48,000	130,947	273%	72%
Total Revenues	\$ 13,048,000	\$ 5,224,988	40%	42%
Operating Expenses	\$ 9,330,254	\$ 4,780,022	51%	57%
Major Capital Expenses	3,463,741	3,052,674	88%	96%
Transfers Out	4,700,653	4,700,653	100%	100%
Total Expenses	\$ 17,494,648	\$ 12,533,349	72%	77%
Net Rev / Exp	\$ (4,446,648)	\$ (7,308,361)		

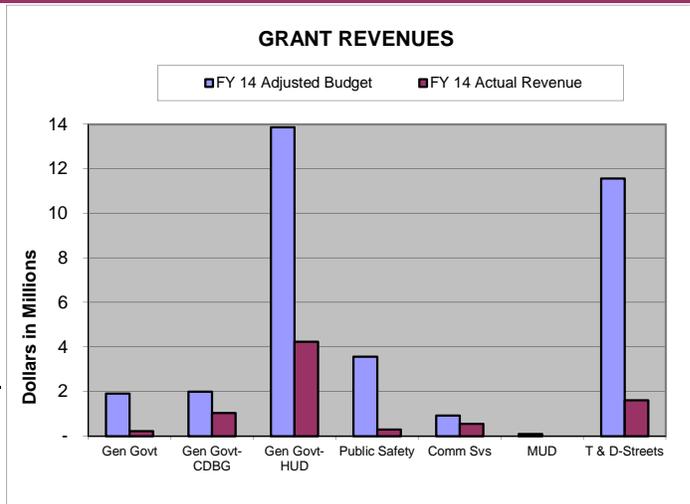


POSITIVE

Highway Users Tax is collected by the state on all gasoline sales. It is combined with other state-level vehicle related revenues, and distributed to cities and towns by using two formulas based upon population. Funds are restricted for use on streets and related projects. The Net Revenue/Expense for FY 2013-14 reflects a budgeted fund balance drawdown of \$4.4 million. Transfers Out include payment of \$23,588 to the Technology Replacement Fund as well as a transfer of \$4,663,475 to the HURF Debt Service Fund. **Operating Revenues** received through the second quarter are 39% of budget, which is 2% lower than last year's second quarter percentage. **Operating Expenses** through the second quarter are 51% of adjusted budget, which is 6% lower than last year's second quarter percentage.

GRANT FUNDS ANALYSIS 2013-2014 COMPARISON

	FY 14 Adjusted Budget	FY 14 Actual Revenue	% of Budget Rec'd to Date
General Government*	\$ 1,909,993	\$ 222,122	12%
General Govt - CDBG	2,000,000	1,034,235	52%
General Govt - HUD	13,860,000	4,241,176	31%
Public Safety	3,568,000	291,877	8%
Community Services	927,704	550,442	59%
Municipal Utilities	100,000	-	0%
T & D - Streets	11,567,799	1,615,678	14%
Total Grant Revenue	\$ 33,933,496	\$ 7,955,530	23%



* Includes City Manager, Economic Development, Information Technology and Law

Grants are an additional source of funds for major capital projects and certain operating programs. Grant sources include federal, state, and county governments as well as donations from businesses, organizations, or individuals to support particular programs. The adopted budget for grants is unique because it is developed before final approval on grant awards from other agencies is received in an effort to allow for adequate appropriation to spend anticipated grants. Additionally, grant revenues for many programs are received on a reimbursable basis, so the revenue on a large capital project may lag one to two fiscal years after the project is initiated. Actual collections through the second quarter of FY 2013-14 were \$8.0 million (23% of adjusted budget) as compared to \$7.5 million (16% of adjusted budget) collected through the second quarter of FY 2012-13.