

**CITY OF WILLCOX
REQUEST FOR COUNCIL ACTION**

Agenda Item: WS
Tab Number: _____
Date: 4-22-2013

Date Submitted:
2-22-13
Date Requested:
4-22-13

Action:
 Resolution
 Ordinance
 Formal
 Other

**Subject: Review of
Streets/HURF budget
#15**

TO: MAYOR AND COUNCIL

FROM: City Manager

DISCUSSION: The City maintains several “Funds”; each Fund is treated like a separate company with its own set of financial records (books). There are also several different types of Funds. I have previously discussed the City’s four Enterprise funds during the Rate reviews: I have also discussed various “Trust Funds” and “Capital Funds”. The Streets Fund (also known as the HURF because of the source of money from the Highway Users Revenue) is a “Governmental Fund”; the main purpose of a governmental fund is to track the available amount of money and match it to the services to be provided.

Attached are three (3) Attachments: the first Attachment shows the fluctuation in income to the Streets/Hurf Fund (HURF) over the last several years; the second attachment is a Projection showing financial information on the HURF showing historical, current, and future projections. The third attachment is the 5 year Plan for street improvements.

The first Attachment (Attachment 1) is to show the fluctuations in the HURF over the last few years, the purpose is to demonstrate why the Council may wish to adopt a reserve amount for the HURF. The HURF has very limited revenue sources (State Shared Gas Tax and 1% of the City levied Sales Tax [TPT]). The City does not receive any TPT on Gasoline sales, Gas is exempt from TPT. There are collected Federal and State taxes; these taxes are levied on a per gallon basis and therefore do not increase as the price of Gasoline per gallon increases. With increasing fuel economy and electric cars, the amount collected has stagnated, while the number of miles being driven (wear and tear on the streets) has gone up.

The State and the Federal Government levy a tax per gallon, These are known collectively as Highway User Revenues and are required to be maintained in a separate Fund (The Highway Users Revenue Fund – HURF). The Federal Tax goes to Washington and is distributed from there. The State Tax goes to Phoenix and is distributed from there. 27.5% of the HURF money collected Statewide by the State is distributed to the Cities.

Of the 27.5% one half is distributed based upon population of the cities statewide. The other half is distributed upon "county of origin" and the relationship of the city's population to the population of all cities in the "county of origin". In the last several years the State of Arizona has taken a cut off the top (prior to the 27.5% being determined) to fund the Arizona Highway Patrol operations. While the City of Willcox has a high number of gallons of gas sold here, the City does not see the benefit of that volume of sales. The second major source of money, (and the largest, about ¾ of total income) to the Street Fund is from City TPT(1% of the City Sales Tax - the City levies a 3% Sales Tax, so 1/3 of that is dedicated to the Streets Fund). There is proposed State legislation this year to exempt "Prime Contracting" from any TPT (including the City TPT), this could have a substantial impact on the revenues to the HURF. The City also has interest earnings and miscellaneous income which are not significant.

The HURF has long term capital needs and also a multiyear (5 year) street improvement plan promised to the residents and businesses in the City. As can be seen, the fluctuation in income can be sharp. In order to be able to provide necessary services to the community without abrupt reductions, it is recommended that an Opening Balance Reserve (OBO) for the HURF be maintained, this will allow absorbing and reacting to changes in the income sources. There is NO requirement that the City Council establish an OBO. The recommendation is to develop a target of three (3) month reserve of the Budgeted Operational Expenses.

The second attachment (Attachment 2) is the Projection Sheet. This Sheet shows actual financial information for FY12; one half year actual and one half year estimates for FY13; and projections for FY14 – FY 26. The reason for using a Projection Sheet is to more easily see the effects of a current year decision on the long term operations of an activity (in this case the HURF); this Sheet also assists in the planning of activities; and making adjustments to the activities to compensate for changes to the Financial situation (such as a loss of a revenue, new large expense, or rapidly increasing costs of materials [oil is very volatile]). **This sheet has a significant difference from the Projection sheets for the other Funds you have seen this year.** The difference is the column marked "FY 13-14 Budget". While the previous Projection sheets have all shown FY 13-14; the HURF Projection sheet shows a difference on what is expected for FY 14 versus the FY 14 Budget. The reason for this difference is that in HURF and General Fund there are significant freezes on positions. This is in line with the discussions that the "Budgets" are set up to show what might be necessary and comply with the State Law requirement that if it is not budgeted it cannot be spent. Staff has consistently "underspent the "Budget" and is expected to continue to do so; to build in the necessary "flexibility" the "Budget numbers" are higher than the "Expected numbers".

The Streets Fund has a Revenue Bond which is being paid from the dedicated City Sales Tax. This debt is scheduled to be paid off in FY21. The annual debt service is approximately \$312,000 (varies by year).

The top half of the Sheet shows the Operational (day to day expenses) of the HURF. The lower half of the Sheet shows the "Capital Fund" for the HURF. The purpose of the Capital Fund is to allow an orderly method of projecting and paying for the Capital purchases within the HURF. These purchases tend to be large dollar amounts and are

often spread over several Fiscal Years (FY). The Capital Fund does allow for accumulation of money to “save up” for an item or make a significant “down payment”. The Capital Fund also assists in tracking major purchases for the financial records (as required under accounting standards). The Capital expenses are presented: these do reflect the purchase of the “Zipper” authorized by the Council in February 2013, the proposed purchase (through a capital lease) of a replacement for the existing Street sweeper, and the purchase of a replacement 1 ton patch truck is FY 18. The existence of a Capital Fund does NOT change any of the purchasing requirements of City Code.

The OBO on this Projection Sheet (top line) does stay fairly close to the targeted OBO. This assumes that the estimates made on the Sheet are accurate. The Capital leases has been removed from the Operating Expenses and placed in the Capital Expenses. The Debt Service is the amount being used to pay for the Bond issued by the City for Capital development in the HURF; that Bond is due to be paid off in FY21. The expenses for the manpower and materials for repairing and resurfacing the streets are included in the Operating expenses.

Attachment 3 shows the 5 plan for street improvements, (planning further than 5 years is difficult due to the uncertainty of income and the volatile nature of price of the materials and may lead to false promises on the part of the City on what projects may be realistically completed). There are some changes in the presented 5 year plan from the plan presented during the Budget hearings for FY13.

The “potholing”, sign maintenance, line painting, ditch cleaning, street sweeping, repairs behind the utilities crews, parade setup and takedown, putting up and taking down Christmas decorations, and right of way cleaning, are not shown in the 5 year plan; these are embodied in the operating budget.

RECOMMENDATION: Provide input on the proposed work plan, establishment of the Operating Reserve, and approve the FY 14 Budget

FISCAL IMPACT: For FY 14 the estimated Operating Budget will be \$1,038,509 and the Capital budget will be \$65,698. All of which are Street/HURF monies.

Prepared by: Pat McCourt

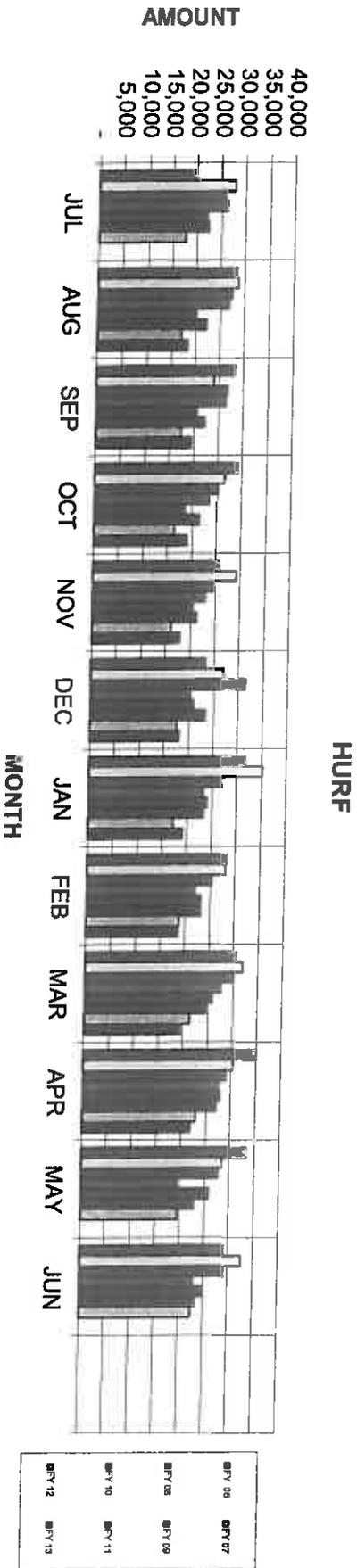
Approved by: 

City Manager

FY 2012-2013 REVENUE ANALYSIS, 9 YEAR COMPARISON HIGHWAY USER REVENUE FUND (HURF)

Note - Distribution 3-4 weeks after and of the month (i.e. August distribution of July revenues).

	JUL 1	AUG 2	SEP 3	OCT 4	NOV 5	DEC 6	JAN 7	FEB 8	MAR 9	APR 10	MAY 11	JUN 12	TOTAL
FY 05	27,726	25,457	24,546	29,251	26,828	27,721	28,178	30,528	31,542	34,298	30,449	22,900	\$ 339,423
% ACTUAL	8%	16%	23%	32%	39%	48%	56%	65%	74%	84%	93%	100%	
FY 06	19,403	28,390	28,222	29,275	25,692	23,144	31,626	28,399	30,565	35,072	33,283	29,216	\$ 342,287
% ACTUAL	6%	14%	22%	31%	38%	45%	54%	63%	71%	82%	91%	100%	
FY 07	27,893	28,705	23,836	26,445	29,186	26,961	35,162	28,158	31,952	30,232	28,374	32,597	\$ 349,501
% ACTUAL	8%	16%	23%	31%	39%	47%	57%	65%	74%	83%	91%	100%	
FY 08	25,709	27,314	26,668	25,084	24,451	31,483	26,939	25,240	29,987	28,913	27,671	29,321	\$ 328,781
% ACTUAL	8%	16%	24%	32%	39%	49%	57%	65%	74%	83%	91%	100%	
FY 09	26,153	26,701	26,455	23,360	22,955	20,301	23,264	22,015	27,617	27,512	19,391	22,978	\$ 288,703
% ACTUAL	9%	18%	27%	36%	44%	51%	59%	66%	76%	85%	92%	100%	
FY 10	22,004	20,135	20,601	18,462	20,393	20,855	23,958	23,102	25,787	27,761	25,751	24,943	\$ 273,754
% ACTUAL	8%	15%	23%	30%	37%	45%	53%	62%	71%	81%	91%	100%	
FY 11	22,289	22,096	22,119	21,386	21,136	23,247	23,343	23,097	24,669	27,122	22,915	23,365	\$ 276,785
% ACTUAL	8%	16%	24%	32%	39%	48%	56%	65%	73%	83%	92%	100%	
FY 12	17,626	17,021	17,396	16,280	15,930	17,492	17,123	18,754	21,311	22,859	19,498	22,475	\$ 223,764
% BUDGET	8%	15%	23%	31%	38%	45%	53%	62%	71%	81%	90%	100%	
FY 13	18,336	19,435	19,001	17,861	18,073	19,128	18,614	19,489	21,764	0	0	0	\$ 171,701
% BUDGET	8%	16%	24%	31%	39%	47%	55%	63%	72%	72%	72%	79%	
AVG %													
RECV D	8%	16%	24%	32%	39%	47%	56%	64%	73%	83%	92%	100%	



Projection Sheet Streets/Hurf Fund
Date of Sheet 4-17-13

Attachment 2

	FY 11-12	FY 12-13	FY 13-14	FY 13-14 Budget	FY 14-15	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26
Opening Balance Operations (OBO)	\$273,008	\$375,197	\$418,636	\$418,636	\$439,097	\$481,330	\$545,374	\$617,718	\$692,847	\$781,818	\$880,696	\$961,040	\$1,362,236	\$1,779,192	\$2,212,418	\$2,662,438
Operating Income	\$223,764	\$200,000	\$251,065	\$351,065	\$253,576	\$256,111	\$258,673	\$261,259	\$269,097	\$277,170	\$285,485	\$294,050	\$302,871	\$311,957	\$321,316	\$330,955 *
Slate HURF	\$715,171	\$757,119	\$772,836	\$772,836	\$811,478	\$852,052	\$877,613	\$903,942	\$931,060	\$958,992	\$987,761	\$1,017,394	\$1,047,916	\$1,079,354	\$1,111,734	\$1,145,086 **
City Sales Tax	\$1,007	\$2,400	\$4,186	\$4,186	\$4,391	\$4,813	\$5,454	\$6,177	\$6,928	\$7,818	\$8,807	\$9,610	\$13,622	\$17,792	\$22,124	\$26,624 ***
Interest 1%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfers In	\$287	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Misc	\$840,239	\$959,519	\$1,028,087	\$1,028,087	\$1,069,444	\$1,112,976	\$1,141,739	\$1,171,378	\$1,207,085	\$1,243,980	\$1,282,053	\$1,321,054	\$1,364,410	\$1,409,103	\$1,455,174	\$1,502,666
Service fees total																
Daily Operating Costs	\$217,577	\$205,857	\$321,689	\$343,615	\$321,689	\$331,340	\$341,280	\$351,518	\$362,064	\$372,926	\$384,113	\$395,637	\$407,506	\$419,731	\$432,323	\$445,293
Personnel 3%	\$213,969	\$298,535	\$298,535	\$307,491	\$307,491	\$316,716	\$326,217	\$336,004	\$346,084	\$356,466	\$367,160	\$378,175	\$389,520	\$401,206	\$413,242	\$425,640
Operational 3%	\$69,294	\$48,934	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Capital Leases	\$311,683	\$312,433	\$315,982	\$315,982	\$308,358	\$308,514	\$306,764	\$310,739	\$309,039	\$311,754	\$308,644	\$308,644	\$308,644	\$308,644	\$308,644	\$308,644
Debt Service (DS)	\$26,528	\$50,321	\$71,421	\$71,421	\$89,673	\$92,363	\$95,134	\$97,988	\$100,928	\$103,956	\$141,792	\$146,046	\$150,427	\$154,940	\$159,588	\$164,376
Capital Oper. Costs (COC)	\$838,051	\$916,080	\$1,007,627	\$1,089,509	\$1,027,211	\$1,048,933	\$1,069,395	\$1,096,249	\$1,118,114	\$1,145,102	\$1,201,710	\$919,858	\$947,454	\$975,877	\$1,005,154	\$1,035,308
Total Operating Costs	\$375,197	\$418,636	\$439,097	\$408,514	\$481,330	\$545,374	\$617,718	\$692,847	\$781,818	\$880,696	\$961,040	\$1,362,236	\$1,779,192	\$2,212,418	\$2,662,438	\$3,129,796
OBO next year	\$251,907	\$342,404	\$345,479	\$345,479	\$349,644	\$356,465	\$365,416	\$372,705	\$381,701	\$400,570	\$306,619	\$315,818	\$325,292	\$335,051	\$345,103	\$345,103
Target OBO	\$0	\$0	\$0	\$0	\$5,723	\$30,261	\$57,489	\$87,488	\$95,341	\$158,269	\$158,268	\$158,268	\$158,268	\$158,268	\$158,268	\$158,268
Opening Balance (OBC)	\$0	\$0	\$0	\$0	\$5,723	\$30,261	\$57,489	\$87,488	\$95,341	\$158,269	\$158,268	\$158,268	\$158,268	\$158,268	\$158,268	\$158,268
Grant Income	\$26,528	\$50,321	\$71,421	\$71,421	\$89,673	\$92,363	\$95,134	\$97,988	\$100,928	\$103,956	\$141,792	\$146,046	\$150,427	\$154,940	\$159,588	\$164,376
Other Income	\$26,528	\$50,321	\$71,421	\$71,421	\$95,396	\$122,824	\$152,623	\$185,476	\$196,269	\$262,224	\$300,060	\$304,314	\$308,695	\$313,208	\$317,856	\$322,644
COC income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total COC money	\$8,809	\$40,000	\$65,698	\$65,698	\$65,135	\$65,135	\$65,135	\$65,135	\$65,135	\$103,956	\$141,792	\$146,046	\$150,427	\$154,940	\$159,588	\$164,376
Vehicle Repl	\$17,719	\$10,321	\$0	\$0	\$65,135	\$65,135	\$65,135	\$65,135	\$65,135	\$0	\$0	\$0	\$0	\$0	\$0	\$0
System Replacement	\$26,528	\$50,321	\$65,698	\$65,698	\$65,135	\$65,135	\$65,135	\$65,135	\$65,135	\$103,956	\$141,792	\$146,046	\$150,427	\$154,940	\$159,588	\$164,376
Grant Project	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Equip Leases	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Transfer out (Grants)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total COC costs	\$0	\$0	\$5,723	\$5,723	\$30,261	\$57,489	\$87,488	\$95,341	\$158,269	\$158,268	\$158,268	\$158,268	\$158,268	\$158,268	\$158,268	\$158,268
OBC next year	\$0	\$0	\$5,723	\$5,723	\$65,135	\$65,135	\$65,135	\$65,135	\$65,135	\$103,956	\$141,792	\$146,046	\$150,427	\$154,940	\$159,588	\$164,376

Equipment leases = (Zipper FY14-FY18) + Street Sweeper (FY15-FY19)

Vehicle Replacement = Patch truck FY 18

Note from Operating Income above:

* No increase FY 13-15 1% increase FY15-17 3% increase FY 18

** Increase 5% FY14-16 Increase 3% FY17-

*** Equals 1% of Fund Balance

STREET FISCAL YEAR 2014-2023 BUDGET

	FY/2014	FY/2015	FY/2016	FY/2017	FY/2018	FY/2019	FY/2020	FY/2021	FY/2022	FY/2023	Total
Capital Expenses											
Project											
Maley St-Bisbee to AZ	\$32,000.00										\$ 32,000.00
Pearce St-Bisbee to AZ	\$17,577.00										\$ 17,577.00
Bowie Ave.-Maley to Fremont	\$22,900.00										\$ 22,900.00
Arizona Ave-Rex Allen to Patte		\$ 15,280.00									\$ 15,280.00
Mesa Ave- Rex Allen to Patte		\$ 12,000.00									\$ 12,000.00
Douglas-Rex Allen to Patte		\$ 12,000.00									\$ 12,000.00
Flagstaff-Rex Allen to Patte		\$ 12,000.00									\$ 12,000.00
Prescott-Rex Allen to I Scott		\$ 6,000.00									\$ 6,000.00
Scott St from Bisbee to far east end		\$ 20,000.00									\$ 20,000.00
Inflation		\$ 2,318.40									\$ 2,318.40
Todd St-Arizona to Flagstaff			\$ 6,740.00								\$ 6,740.00
Fox-Arizona to far east end			\$ 11,450.00								\$ 11,450.00
Mesa-Rex Allen to Fremont			\$ 25,000.00								\$ 25,000.00
Douglas-Rex Allen to Jessie			\$ 11,900.00								\$ 11,900.00
Flagstaff- Rex Allen to Todd			\$ 10,160.00								\$ 10,160.00
Prescott-Rex Allen to Fox			\$ 5,040.00								\$ 5,040.00
Inflation			\$ 6,517.79								\$ 6,517.79
McCourt-Arizona to Bisbee				\$ 43,084.00							\$ 43,084.00
McCourt-Haskell to Curtis				\$ 15,563.00							\$ 15,563.00
Material,Concrete Alley Curb				\$ 20,000.00							\$ 20,000.00
Inflation				\$ 9,870.83							\$ 9,870.83
Lawson-Hoch to Alley					\$19,329.00						\$ 19,329.00
3rd Ave-Maley to Grant					\$7,193.00						\$ 7,193.00
Grant-Rail View to 3rd Ave					\$13,733.00						\$ 13,733.00
1st Ave-Maley to Grant					\$10,597.00						\$ 10,597.00
Inflation					\$8,099.42						\$ 8,099.42
Soto-Haskell to Ironwood						\$ 55,965.00					\$ 55,965.00
Inflation						\$ 10,860.16					\$ 10,860.16
Ironwood-Airport to Winchester Alley							\$ 28,287.00				\$ 28,287.00
Jonnie Dr-Joe Hines to Circle I							\$ 29,347.00				\$ 29,347.00
Single Chip							\$ 57,634.00				\$ 57,634.00
Inflation							\$ 13,248.56				\$ 13,248.56
Bisbee Ave-Rex Allen to Parker								\$ 78,000.00			\$ 78,000.00
Inflation								\$ 20,808.11			\$ 20,808.11
Rex Allen Jr. Rd.-Maley to Cochise Lake/Single Chip									\$26,214.00		\$ 26,214.00
Inflation									\$ 7,989.37		\$ 7,989.37
Wasson-Haskell to Bisbee										\$25,275.00	\$ 25,275.00
Inflation										\$6,692.51	\$ 6,692.51
Sub-total	\$72,477.00	\$79,598.40	\$ 76,807.79	\$ 88,517.83	\$66,951.42	\$66,825.16	\$ 128,516.56	\$98,808.11	\$34,203.37	\$33,967.51	\$738,673.15

Capital Expenses											
1 Ton Dump Bed											\$10,000
Street Sweeper		\$38,000.00	\$38,000.00	\$38,000.00	\$ 38,000.00	\$ 38,000.00					\$190,000.00
1 Ton Patch Truck					\$25,000.00						\$25,000.00
Loader	\$38,583.00										\$35,000.00
Asphalt Zipper	\$ 27,135.00	\$ 27,135.00	\$ 27,135.00	\$ 27,135.00	\$ 27,135.00						\$ 135,675.00
Dump Truck 10 yd									\$20,000.00	\$20,000.00	\$40,000.00
Sub-Total	\$65,698.00	\$65,135.00	\$65,135.00	\$ 65,135.00	\$ 90,135.00	\$ 38,000.00	-	-	\$20,000.00	\$20,000.00	\$429,238.00
Total	\$138,175.00	\$144,733.40	\$141,942.79	\$153,652.83	\$149,086.42	\$104,825.16	\$128,516.56	\$98,808.11	\$54,203.37	\$53,967.51	\$1,167,911.15