

**CITY OF WILLCOX
REQUEST FOR COUNCIL ACTION**

Agenda Item: WS
Tab Number: _____
Date: 5-6-2013

Date Submitted:
2-22-13
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4-29-13

Action:
____ Resolution
____ Ordinance
____ Formal
 Other

Subject: Over view of
the City's General Fund
#10

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, the "Trust Funds", the Debt service Funds, and the HURF. The General Fund (GF) is a "Governmental Fund" in the terminology of the Government Finance Officers Association (GFOA); the main purpose of a governmental fund is to track the available amount of money and match it to the services to be provided.

The GF is where the financial records for everything that is not required to be in a separate fund are maintained. The City of Willcox's GF includes:

- Mayor and Council – The elected policy makers;
- Administration – Oversees day to day operations of the entire City;
- Community Programs – provides for programs not directly delivered by the City;
- Public Safety Adm. – Oversees the daily operations of the Dispatch, Patrol, Fire, Humane, K-9, and Investigations;
- Dispatch- Provides for the Communication to and from Public Safety Officers and coordination of emergency responses within and without the City;
- Patrol – Provides for immediate response and protection of the Public by trained Officers,
- Fire – Provides for the immediate response in the case of fire, explosions, or other life threatening situations,
- Humane – Provides for the protection of the Public from animals, protects and seeks homes for animals, protects animals from abusive situations;
- K-9 - Provides for support of the Patrol with a trained Canine unit to assist in finding suspects and protecting Officers and the Public;
- Investigations – Provides for the long term investigation of crimes against the Public and the prosecution of Criminals;
- Finance – Handles and records all financial transactions within the City;

Legal & Courts – the Prosecution, Legal advice, Judicial system and Jail;
Library – Public information/education, recreation;
Swimming Pool – Recreation;
Public Works Adm. – Oversees all the operations of Buildings and Grounds, Enterprise Operations, Vehicles, Cemetery, Golf Course, and Parks;
Cemetery – provides for maintenance and operation of the sunset Cemetery;
Vehicle maintenance – provides for the maintenance and repair of all City Vehicles and mechanical tool;
Buildings & Grounds – Provides for all the maintenance and repairs on City owned facilities;
Parks & Recreation – provides for the maintenance of the public parks and support for activities throughout the City; and
Development Services – Provides for the orderly development of the City to ensure municipal services may be provided, that any construction is performed in a manner which protects the public, and that structures are maintained in a safe and sanitary manner.
Transfers – this is used to shift money to the Repair and Demolition Fund #22, the General Fund Capital Improvements Fund #21, and the Special Revenue/Grants Fund #17 (Challenge grants and fireworks).

As can be seen the City's GF provides a broad range of services to the Community. We have previously discussed the Community Programs Department, and the Legal and Courts Department; in the Work Sessions to follow we will be discussing more on each of the other GF Departments and the budgetary needs to perform the services to the Public.

The first attachment is a multiyear projection designed to show some history, current year actual and projections and long term projection of the City's GF. The projection shows that the Opening Balance in the GF has been declining – more money has been spent than has been coming in – deficit spending. This trend is expected to continue until FY 17. This is despite the reduction in expenses from FY 09 through FY 13 (and probably FY 13). This is due to the dramatic reduction in revenue from State shared sources. There is a recovery under way and revenue is increasing. The City has little ability to increase revenue sources in the GF. While the City has reduced services in some areas these areas have been minimized, and the City has increased services in some areas (Demolition and Repair, and Challenge Grants). The deficit has been made up from the Opening Balance of the GF. This is why the City maintains a reserve amount in the Opening Balance; so services may be maintained in the short term during an economic downturn.

There is no requirement for the GF to have a reserve amount. Due to the high level of activity and the lack of ability to generate any money; I recommend that the City Council develop at least a six (6) month reserve of the operational costs. The attached projections show a four (4) month reserve balance.

The Operational budget of the GF is the largest of the Operational Funds that the City maintains. (There are larger Capital Funds; these usually are due to some large project like the Waste Water Treatment plant). This is also the area where most of the direct

interface with the Public occurs. The vast majority of employees (85 positions out of a total of 103 approved city positions [includes part-time positions {30}]) are in the GF. There is a Capital Fund associated with the GF. This Capital Fund is called "Capital Improvements" #21. This fund is slightly different than the Capital Funds we discussed in association with the Enterprise Funds or the HURF. The Capital Fund for the GF is Fund 21. This Fund does involve large improvements made in association with the GF. Fund 21 is not as refined as the other capital funds and does not include all vehicles and lease purchases; which are frequently included in the department operational budgets. The reason for this is the broad diversity of services in the GF and the interest in defining the "Cost of Service" in a specific area within the GF. (The Enterprise Funds and HURF are very narrowly focused areas of service). While it is a goal to establish a method of capital accumulation for the GF to avoid "spikes" in spending, this has not been done as of this date. This Fund 21 tends to have large expenditures which can be deferred and there are often efforts to use a capital investment in Fund 21 to reduce operating expenses.

Changes to the compensation plan of the City have a very large impact on the GF. There are changes being made to the compensation over which the City has little control: specifically the retirement systems. The Arizona State Retirement systems are some of the best systems from the standpoint of having enough money in the bank to pay for the current and future retiree benefits. The systems annually reevaluate the reserve funds and adjust based upon actuarial estimates. The recent downturns in the market resulted in substantial losses of projected income, although the markets have recovered the "lost income" for a couple of years has to be made up, therefore the employee and the employer (City) contributions have been adjusted upward. The retirement systems have also taken other long range steps to reduce the future liability of the retirement systems. Health care costs continue to grow. The City has been very aggressive in holding down the costs through sharing risk with our employees. The City has been able to minimize any rate increases to the employees while absorbing increases by the Employer (City). The current budget continues this practice.

The second attached sheet shows the GF income. This sheet has actual data for FY 11 & FY12, half a year actual and half a year estimates for FY 13 and estimates beyond FY 13.

The third attachment is projections of the expenses in the General Fund.

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 \$4,170,065 before Capital transfer is put in.

Prepared by: Pat McCourt

Approved by: /s/ Pat McCourt
City Manager

The General Fund Income
Data this sheet 4-3-13

	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	
INCOME															
Taxes															
City Sales Tax	1,480,615	1,430,343	1,515,845	1,575,845	1,661,637	1,671,218	1,721,358	1,772,985	1,828,186	1,900,972	1,987,401	1,995,523	2,055,388	2,117,050	Increase 0% FY14
Primary Property Tax	70,000	66,714	72,444	73,868	76,371	78,678	78,618	79,864	81,584	83,215	84,890	86,077	88,308	90,075	Increase 2%
Law Agency Tax	748	940	900	900	900	900	900	900	900	900	900	900	900	900	
Loggia's Tax 4%	148,846	129,774	150,000	160,000	171,200	183,184	188,950	194,340	200,170	208,175	212,380	219,731	226,293	232,052	Increase 7% FY14-FY16
Sub Total	1,720,068	1,663,677	1,738,689	1,780,463	1,833,668	1,831,661	1,909,791	1,947,870	1,988,840	2,170,862	2,234,941	2,301,152	2,388,291	2,439,477	Increase 3% FY17-
Licenses & Permits															
Electric License 3%	167,878	122,787	110,000	125,000	128,750	132,613	136,591	140,689	144,909	148,257	153,734	166,346	163,967	167,890	
Cable TV	3,264	2,928	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	9,000	
Liquor	2,368	2,196	3,000	2,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	
Refuse Hauler License 3%	0	16,771	16,000	16,000	16,000	16,974	17,484	18,009	18,548	19,105	19,678	20,266	20,876	21,503	
Dog	110	25	100	150	100	100	100	100	100	100	100	100	100	100	
Building permit 3%	41,903	137,927	80,000	80,000	51,600	88,045	54,638	56,275	67,864	59,703	61,494	63,339	65,238	67,188	
Business	5,768	9,972	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	
City Utilities	0	131,137	134,000	132,020	142,181	148,425	160,818	155,343	160,053	164,803	169,747	174,840	180,085	185,473	
Sub Total	241,383	292,206	384,337	341,168	348,858	366,993	369,235	379,898	390,884	402,167	413,809	426,800	438,151	450,873	
Shared State Tax															
State Sales	271,473	293,573	298,453	324,833	340,985	357,909	366,645	379,704	391,058	402,828	414,913	427,361	440,182	453,397	Increase 3% FY17-
Auto Lic	158,028	166,702	180,000	172,757	181,395	190,405	199,178	208,084	208,128	214,370	220,801	227,428	234,247	241,275	Increase 5% FY13-FY18
Revenue/Income Tax	378,138	317,094	583,735	419,149	440,105	482,112	478,975	489,254	504,962	520,111	535,714	551,726	568,339	585,592	Increase 6% FY14
Sub Total	806,239	777,366	832,188	816,839	862,386	897,484	1,049,798	1,072,923	1,104,183	1,137,309	1,171,428	1,206,571	1,242,788	1,280,061	Increase 7% FY14
Other Fees															
Count Fines	5,946	7,146	1,000	1,000	0	0	0	0	0	0	0	0	0	0	
Library Fines	5,894	5,481	6,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	
Cannellary Fees	17,188	21,367	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	
Park Fees	480	2,480	800	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	
Community Center	3,457	4,405	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	
Proprietor/Boat/Income	3,197	400	800	1,000	1,000	1,068	1,126	1,159	1,194	1,229	1,264	1,297	1,305	1,344	Increase 3% FY15-
Rent City Hall	0	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	3,600	
Interest Income 1%	19,653	31,016	25,869	25,869	16,807	16,338	16,201	16,800	16,984	17,333	17,663	18,242	18,481	18,702	
Swimming pool	12,898	11,966	6,800	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	13,000	
Impound Fees	1,201	2,600	2,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	
Alarm Fee	0	0	10	0	0	0	0	0	0	0	0	0	0	0	
Retired Vidoes	111	56	32	0	0	0	0	0	0	0	0	0	0	0	
Public Recort	694	378	300	300	300	300	300	300	300	300	300	300	300	300	
Marriage Lic	78	13	0	0	0	0	0	0	0	0	0	0	0	0	
Sts of Assesl	0	173,078	0	0	0	0	0	0	0	0	0	0	0	0	
School Resource Officer	28,042	26,042	26,068	26,068	30,363	30,369	32,212	32,212	34,148	34,148	36,184	36,184	38,368	38,368	Increase biennially 6%
County Animal Facility	104	29	0	0	0	0	0	0	0	0	0	0	0	0	
Count - Resitution	52,401	52,551	40,200	41,408	42,048	43,928	45,245	46,603	48,001	49,441	50,924	52,452	54,025	55,646	
Insurance Nabeta 3%	14,348	18,468	24,914	178,306	178,618	177,898	181,296	183,041	188,785	188,863	192,428	194,271	198,294	200,176	
Sub Total	145,200	180,736	160,731	215,985	222,476	229,149	236,024	243,104	250,367	257,889	265,647	273,616	281,824	290,278	
Transfers In															
Admin Fees Gas	181,600	128,543	128,584	116,953	119,838	123,121	126,814	130,619	134,537	138,573	142,731	147,012	151,423	155,968	
Admin Fees Water	86,800	115,238	127,361	121,485	126,130	130,868	132,700	136,732	140,934	145,059	149,411	153,984	158,910	163,288	
Admin Fees Sewer	82,800	100,132	122,633	104,367	107,498	110,728	114,045	117,496	120,990	124,820	128,358	132,206	136,175	140,281	
Admin Fees Garbage	0	30,789	35,789	38,788	0	0	0	0	0	0	0	0	0	0	
Loan Repayment	465,300	668,437	604,660	688,668	574,637	661,378	609,632	627,821	646,759	666,162	686,147	706,731	727,833	748,771	
Sub Total	3,381,967	3,461,138	3,873,616	3,777,181	3,998,880	4,070,530	4,188,886	4,316,488	4,458,805	4,596,804	4,746,753	4,894,605	5,078,437	5,129,348	

Transferred in because the actual expense is in the GF for services to the Employees funds. Loan repayment is not an income but a return of Capital



