



Staff Report

Agenda Item: **MIDYEAR BUDGET UPDATE** – A worksession to provide Council with an update of the 2007-2008 Annual Budget as of December 31, 2007.

Sponsored By: Finance Director Carlton Woodruff

Meeting Date: January 22, 2008

Background:

This budget update is designed to provide the Town Council with an overview of the current budget position, discuss budget projections for the end of the fiscal year, and talk about key areas that are cause for concern.

There are currently several Cities and Towns that are going through budget deficits requiring official budget cuts, program cuts, and possible layoffs. The housing market is continuing to struggle, sales tax revenues are down across the state, and currently State Shared Revenues are facing large cutbacks. Town of Clarkdale administration and staff have a genuine concern about the state of the economy, but thanks to conservative budgeting, contingency planning, and key budget cutbacks, we currently have a positive outlook on the projected budget.

One important topic for discussion is the current housing market and how it relates to our Building Permit revenue line. Revenue currently collected through building permits totals \$12,203.06. This accounts for 3.7% of the \$330,000.00 budgeted. Staff projects to collect at least another \$136,297.00, leaving the Town with a deficit in the Building Permit revenue line of \$181,500.00 or 55%. Local Sales Tax is another important revenue stream for the Town of Clarkdale. As construction slows, the total Local Sales Tax received by the Town decreases accordingly. Currently we are projecting almost a 25% deficit in Local Sales Tax numbers as they compare to budgeted amounts.

We have implemented plans to overcome these large deficits first by using a General Fund hiring freeze that was instituted in October that will save approximately \$136,146.00 this budget year. Also, each General Fund department was asked to reduce non-salary budget lines by 10%. This could save the General Fund budget as much as \$356,916.00. The Contingency Fund Cash established in this budget cycle, which totals \$226,530.00, is also available.

Recommendation: This item is scheduled as a worksession only, and no official action is necessary from the council.

BUDGET UPDATE

FOR PERIOD ENDING
DECEMBER 31, 2007

Some Budget assumptions:

- 50% of year complete
- Economic downturn continues
- Revenue projections under budget

Where are we now?

<i>GENERAL FUND REVENUE</i>			
TYPE	ACTUAL	BUDGET	% VARIANCE
Local Revenue			
Property Tax	\$ 151,387.95	\$ 246,169.00	61.50%
Building Permits	\$ 12,203.06	\$ 330,000.00	3.70%
General Fund Sales Tax	\$ 207,415.76	\$ 549,421.17	37.75%
Construction Sales Tax	\$ 98,580.44	\$ 254,450.93	38.74%
Streets Sales Tax	\$ 169,699.94	\$ 449,516.20	37.75%
Public Safety Sales Tax	\$ 47,134.16	\$ 124,853.12	37.75%
Fire District Revenue	\$ 17,785.09	\$ 124,495.61	14.29%
Court Fines	\$ 40,426.05	\$ 53,000.00	76.28%
Franchise Royalties	\$ 5,340.91	\$ 52,000.00	10.27%
Business Licenses	\$ 5,940.00	\$ 10,000.00	59.40%
Pool Income	\$ 4,820.25	\$ 5,000.00	96.41%
Facility Rentals	\$ 1,765.15	\$ 5,000.00	35.30%
Misc. Income	\$ 30,108.43	\$ 1,000.00	3010.84%
Animal Control	\$ 154.00	\$ 2,300.00	6.70%

Where are we now?

<i>GENERAL FUND REVENUE</i>			
TYPE	ACTUAL	BUDGET	% VARIANCE
County Shared			
Motor Vehicle Licenses	\$ 99,637.93	\$ 233,867.24	42.60%
Yavapai County Library	\$ 13,222.50	\$ 24,859.00	53.19%
State Shared			
State Sales Tax	\$ 168,822.36	\$ 374,782.00	45.05%
State Income Tax	\$ 258,960.23	\$ 518,289.00	49.96%
REVENUE TOTALS	\$ 1,333,404.21	\$ 3,359,003.27	39.70%

Where are we now?

GENERAL FUND EXPENSES

DEPARTMENT	ACTUAL	BUDGET	% VARIANCE
Administration	\$ 106,131.96	\$ 279,133.24	38.02%
Town Clerk	\$ 94,665.08	\$ 275,170.55	34.40%
Information Technology	\$ 39,952.92	\$ 84,056.51	47.53%
Professional Services	\$ 105,858.93	\$ 224,753.94	47.10%
Library	\$ 28,704.66	\$ 59,366.09	48.35%
Community Development	\$ 193,518.79	\$ 467,282.48	41.41%
Parks & Recreation	\$ 74,787.35	\$ 127,455.98	58.68%
Pool	\$ 15,235.36	\$ 52,882.63	28.81%
Fire	\$ 272,514.18	\$ 477,866.65	57.03%
Court	\$ 43,084.30	\$ 96,876.48	44.47%
Police	\$ 406,761.51	\$ 963,631.89	42.21%
Buildings	\$ 83,316.88	\$ 215,647.63	38.64%
Heritage Conservancy	\$ 726.71	\$ 4,200.00	17.30%
EXPENSE TOTALS	\$ 1,465,258.63	\$ 3,328,324.07	44.02%

Year End Projections

G/F PROJECTED REVENUE

TYPE	ACTUAL	BUDGET	% VARIANCE
Local Revenue			
Property Tax	\$ 246,169.00	\$ 246,169.00	100.00%
Building Permits	\$ 148,500.00	\$ 330,000.00	45.00%
General Fund Sales Tax	\$ 414,831.52	\$ 549,421.17	75.50%
Construction Sales Tax	\$ 197,160.88	\$ 254,450.93	77.48%
Streets Sales Tax	\$ 339,399.88	\$ 449,516.20	75.50%
Public Safety Sales Tax	\$ 94,268.32	\$ 124,853.12	75.50%
Fire District Revenue	\$ 124,495.61	\$ 124,495.61	100.00%
Court Fines	\$ 80,852.10	\$ 53,000.00	152.55%
Franchise Royalties	\$ 52,000.00	\$ 52,000.00	100.00%
Business Licenses	\$ 11,880.00	\$ 10,000.00	118.80%
Pool Income	\$ 9,640.50	\$ 5,000.00	192.81%
Facility Rentals	\$ 3,530.30	\$ 5,000.00	70.61%
Misc. Income	\$ 30,108.43	\$ 1,000.00	3010.84%
Animal Control	\$ 308.00	\$ 2,300.00	13.39%

Year End Projections

GENERAL FUND PROJECTED REVENUE

TYPE	ACTUAL	BUDGET	% VARIANCE
County Shared			
Motor Vehicle Licenses	\$ 199,275.86	\$ 233,867.24	85.21%
Yavapai County Library	\$ 24,859.00	\$ 24,859.00	100.00%
State Shared			
State Sales Tax	\$ 337,644.72	\$ 374,782.00	90.09%
State Income Tax	\$ 517,920.46	\$ 518,289.00	99.93%
REVENUE TOTALS	\$ 2,832,844.58	\$3,359,003.27	84.34%

Building Permit Revenue

- Budget = \$330,000.00
- Projected = \$148,500.00
- Projection is 45% of total budget
- Budget Deficit in the amount of \$181,500.00

Sales Tax Revenue

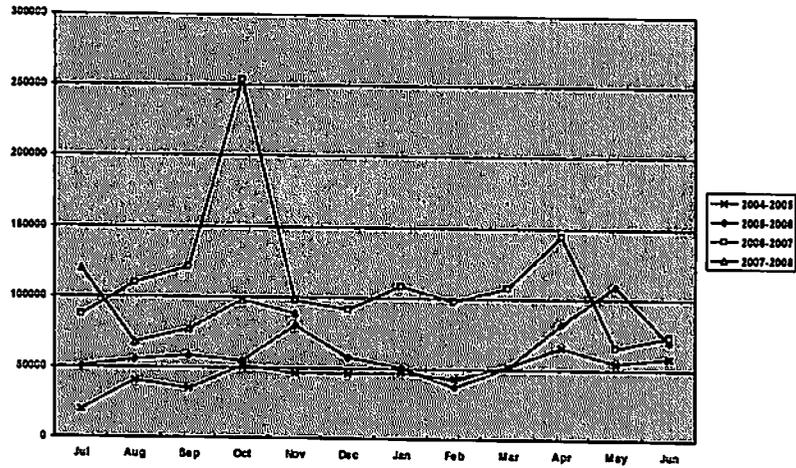
■ Separated into several funding line items

1. Construction Related Sales Tax
2. Streets Sales Tax
3. Public Safety Sales Tax
4. General Fund Sales Tax

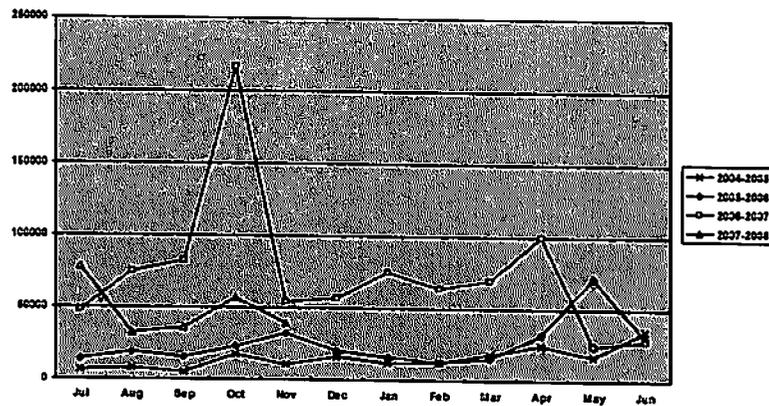
Sales Tax projections:

	Projected actual	Budget	
General Fund Sales Tax	\$ 414,831.52	\$ 549,421.17	75.50%
Construction Sales Tax	\$ 197,160.88	\$ 254,450.93	77.48%
Streets Sales Tax	\$ 339,399.88	\$ 449,516.20	75.50%
Public Safety Sales Tax	\$ 94,268.32	\$ 124,853.12	75.50%
Totals	\$ 1,045,660.60	\$1,378,241.42	
Total Deficit	\$ 332,580.82		
General Fund Deficit	\$ 165,174.45		

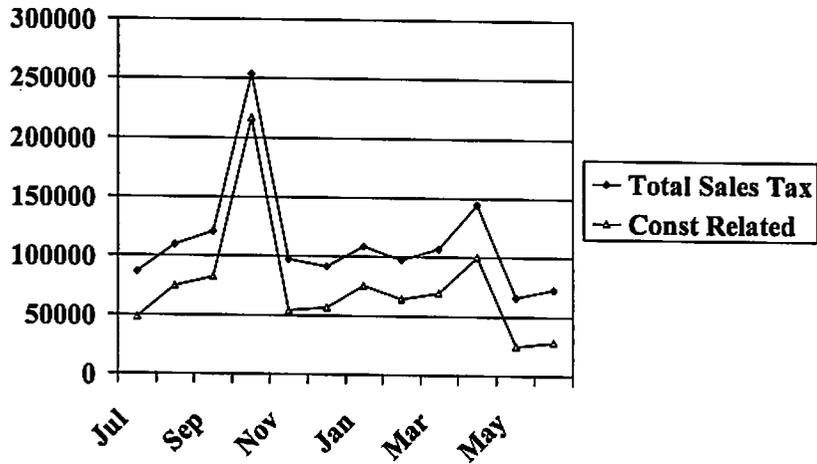
Sales Tax



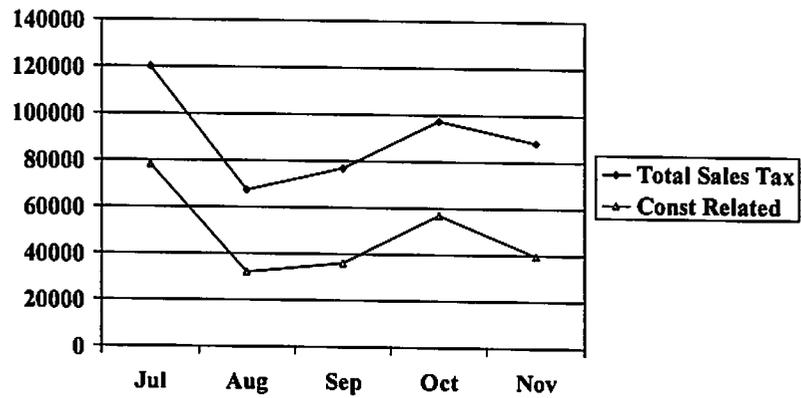
Construction Related Sales Tax



2006-2007 Sales Tax Comparison



2007-2008 Sale Tax Comparison



Year End Projections

PROJECTED EXPENSES

DEPARTMENT	ACTUAL	BUDGET	% VARIANCE
Administration	\$ 212,263.92	\$ 279,133.24	76.04%
Town Clerk	\$ 199,330.16	\$ 275,170.55	72.44%
Information Technology	\$ 79,905.84	\$ 84,056.51	95.06%
Professional Services	\$ 211,717.86	\$ 224,753.94	94.20%
Library	\$ 57,409.32	\$ 59,366.09	96.70%
Community Development	\$ 387,037.58	\$ 467,282.48	82.83%
Parks & Recreation	\$ 115,574.70	\$ 127,455.98	90.68%
Pool	\$ 30,470.72	\$ 52,882.63	57.62%
Fire	\$ 453,773.27	\$ 477,866.65	94.96%
Court	\$ 86,168.60	\$ 96,876.48	88.95%
Police	\$ 813,523.02	\$ 963,631.89	84.42%
Buildings	\$ 186,633.76	\$ 215,647.63	86.55%
Heritage Conservancy	\$ <u>1,453.42</u>	\$ <u>4,200.00</u>	34.61%
EXPENSE TOTALS	\$ 2,835,262.17	\$3,328,324.07	85.19%

Steps we have already taken...

- Budget review and action in October 2007
 - Hiring Freeze will save the General Fund approximately \$136,146.
 - Non-salary budget reductions will save a projected total of \$356,916.

Other options:

1. Contingency Fund (Reserve) was budgeted to receive \$226,530.
2. Further budget cuts or freezes.
3. Reduction or elimination of Streets Fund Sales Tax transfer.

Year End Projections

Building Permit deficit	\$	(181,500.00)
Sales Tax deficit	\$	(165,174.45)
County Revenue deficit	\$	(34,591.38)
State Revenue deficit	\$	(37,505.82)
Total deficit	\$	(418,771.65)
Add: HR savings	\$	136,146.00
Add: Budget reduction	\$	356,916.00
Add: Contingency Fund	\$	226,530.00
Current Projection	\$	300,820.35

STREETS FUND

<i>STREETS</i>			
TYPE	ACTUAL	BUDGET	% VARIANCE
REVENUE			
Transfer from Gen Fund	\$ 169,699.94	\$ 449,516.20	37.75%
EXPENSES			
Human Resources	\$ 161,148.14	\$ 484,139.24	33.29%
Operations	\$ 121,991.20	\$ 278,218.30	43.85%
Improvements	\$ 43,039.15	\$ 792,195.52	5.43%
Professional Services	\$ 8,355.00	\$ 25,000.00	33.42%
Transit	\$ 43,128.00	\$ 46,000.00	93.76%

WASTEWATER FUND UPDATE

<i>WASTEWATER</i>			
TYPE	ACTUAL	BUDGET	% VARIANCE
REVENUE			
User Fees	\$ 128,062.37	\$ 251,372.77	50.95%
EXPENSES			
Operation & Maintenance	\$ 184,217.75	\$ 323,106.96	57.01%

SANITATION FUND UPDATE

SANITATION

TYPE	ACTUAL	BUDGET	% VARIANCE
REVENUE			
User Fees	\$ 131,091.76	\$ 290,950.00	45.06%
EXPENSES			
Operation & Maintenance	\$ 110,051.25	\$ 290,950.00	37.82%

WATER FUND UPDATE

WATER

TYPE	ACTUAL	BUDGET	% VARIANCE
REVENUE			
User Fees	\$ 644,978.37	\$ 1,645,363.40	39.20%
EXPENSES			
Operation & Maintenance	\$ 560,404.22	\$ 1,607,597.24	34.86%