

MEMORANDUM

TO: Barbara Lipscomb, City Manager
Michael Cowin, Assistant City Manager

FROM: Bernita W. Demery, CPA, MBA, Director of Financial Services *BWD*

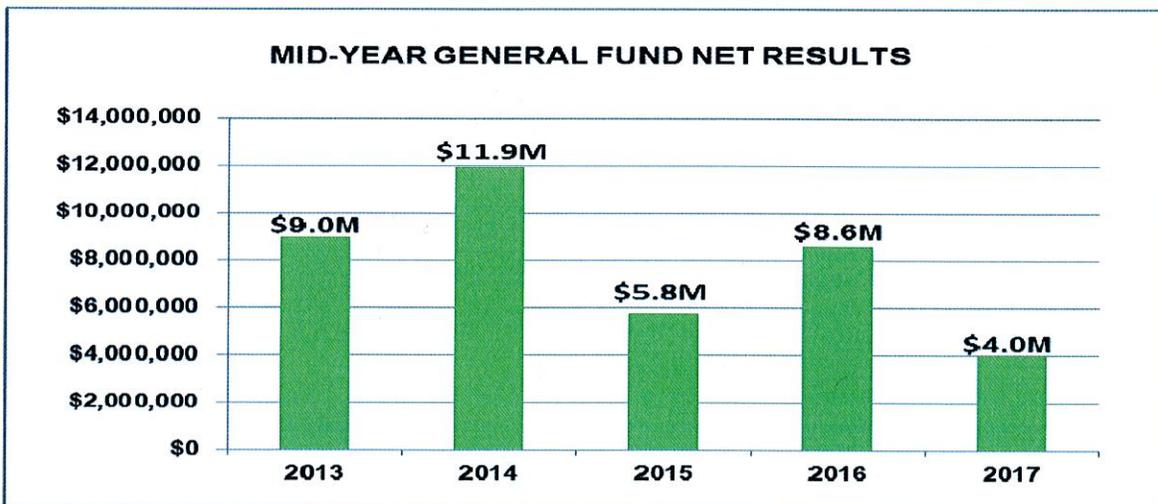
DATE: January 13, 2017

SUBJECT: Major Fund Financial Mid-Year Report – As of December 31, 2016

Enclosed is the financial information for the six months ending December 31, 2016. Report data reflects 50.0% of fiscal year (FY) 2017. Overall, the net results of revenues over expenses indicate a decrease of 54% over the previous year. This is due primarily to the timing of capital projects, which requires transfers to their respective capital project funds. Unexpected and/or significant variances greater than 10% will be noted. Additionally, within this report is a year-to-date budget versus actual discussion.

Summary:

GENERAL FUND SUMMARY AS OF DECEMBER 31, 2016						
	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC./ SPENT
REVENUES	\$ 45,390,951	\$ 45,100,929	\$ 290,022	1%	\$ 85,217,224	53%
EXPENSES	\$ 32,922,409	\$ 31,970,759	\$ 951,650	3%	\$ 71,560,783	46%
TRANSFERS	\$ 8,494,828	\$ 4,524,375	\$ 3,970,453	88%	\$ 13,656,441	62%
NET	\$ 3,973,715	\$ 8,605,795	\$ (4,632,080)	-54%	-	-



Specific details for the year-to-date differences compared to last year are in the pages to follow.

cc: Department Heads

Revenues:

GENERAL FUND REVENUE BY TYPE SUMMARY AS OF DECEMBER 31, 2016						
	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC/ SPENT
PROPERTY	\$24,686,584	\$24,569,275	\$ 117,309	<1%	\$32,444,935	76%
SALES	6,366,201	6,031,418	334,783	6%	17,831,023	36%
UTILITIES	3,549,076	3,637,139	(88,063)	-2%	7,158,899	50%
MOTOR VEHICLE	522,028	511,187	10,840	2%	1,383,674	38%
INSPECTION	712,055	312,164	399,890	>100%	916,402	78%
RESCUE	1,254,064	1,238,602	15,462	1%	3,096,519	40%
RECREATION	723,050	743,790	(20,740)	-3%	1,979,690	37%
INVESTMENTS	38,696	113,826	(75,130)	-66%	500,000	8%
GUC TRANS. IN	3,013,818	3,513,148	(499,330)	-14%	6,459,112	47%
POWELL BILL	2,201,441	2,220,065	(18,623)	-1%	2,220,065	99%
SUBTOTAL	43,067,013	42,890,614	176,399	0%	73,990,319	58%
ALL OTHER REV.	2,323,938	2,210,315	113,623	5%	7,094,349	33%
APP. FUND BAL.	-	-	-	0%	4,132,556	0%
SUBTOTAL	2,323,938	2,210,315	113,623	5%	11,226,905	21%
TOTAL	\$45,390,951	\$45,100,929	\$ 290,022	1%	\$85,217,224	53%

Year-to-date, revenues have increased 1%. A brief explanation of revenues, along with revenue variances +/- 10%, is listed below.

- PROPERTY TAX:** This revenue source accounts for approximately 38% of the overall budget. The variance of less than 1% increase over last year is consistent with the budget expectations given the one cent decrease in the tax rate from 53 cents to 52 cents. This category is expected to be within 1% of the budgeted amount for FY 2017.
- SALES TAX:** Sales Tax revenues make up 21% of the overall budget. There was an increase of \$334,783 (6%) compared to the first half of FY 2016 due to increased spending related to construction in the city. This category is projected to exceed the budget amount for fiscal year 2017.
- INSPECTIONS:** The mid-year increase of more than 100% can be attributed to an increase in permits issued in FY 2017 for the new Mayne Pharmaceutical Plant (\$127,061) and other major construction projects within the city.
- INVESTMENT EARNINGS:** Year-to-date, this category decreased by 66%, due to the variance in the market each month. Based on this market variance, fluctuations from month-to-month will vary. Projections at mid-year for this source are maintained at budget for the fiscal year.
- GUC TRANSFER IN:** Year-to-date, the transfer reflects a 14% decrease as compared to the prior year. The decrease is primarily due to a reduction in the allocation from GUC resulting from the 2015-16 financial audit. The formula used to calculate the allocation is equal to 6% of the difference between the electric and natural gas system's net fixed assets and total bonded indebtedness plus 50% of GUC's total cost of service for the City's public lighting. Projections show that the City will exceed budget based on discussions with GUC to normalize the periodic average of the transfer.

Expenses by Category:

GENERAL FUND EXPENSE BY CATEGORY SUMMARY AS OF DECEMBER 31, 2016						
EXPENSES	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC/ SPENT
PERSONNEL	\$24,813,835	\$23,466,778	\$ 1,347,057	6%	\$50,659,031	49%
OPERATIONS	7,309,459	7,489,462	(180,003)	-2%	16,791,734	44%
CAPITAL OUTLAY	33,615	171,076	(137,461)	-80%	78,518	43%
CAPITAL IMPROVEMENTS	765,500	843,443	(77,942)	-9%	4,031,500	19%
TOTAL	\$32,922,409	\$31,970,759	\$ 951,650	3%	\$71,560,783	46%

Expenses have increased 3%, year-to-date. The largest increase is coming in the area of Personnel Expense. The other categories (Operations, Capital Outlay, and Capital Improvements) fluctuate year-to-year due to the timing of payment for various items. A brief explanation is provided below:

- PERSONNEL EXPENSE:** The City was affected tremendously by Hurricane Matthew in October and November, which had the effect of significantly increasing personnel costs associated with storm cleanup and public safety efforts. Staff is working to obtain FEMA reimbursement for those expenses as quickly as feasibly possible. Overtime expenses have also significantly increased as a result of the Police Department fully implementing the change to the Emergency Call Back policy that was approved by City Council in September of 2015. Note also that the Personnel Expense budget for FY 2017 includes a 1.0% increase in the vacancy rate adjustment. The Personnel Expense budget has been reduced by approximately 4.0% to account for projected vacancies throughout the fiscal year.
- CAPITAL OUTLAY:** Capital Outlay expenses have decreased by 80%, year-to-date. In the prior fiscal year, Controlled Substance funds were budgeted and spent by the Police Department for the purchase of new tasers. The current year budget does not include such purchases, thereby creating the year-to-date variance.

Expenses by Department:

GENERAL FUND EXPENSE BY DEPARTMENT SUMMARY AS OF DECEMBER 31, 2016						
EXPENSES	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC/ SPENT
MAYOR & COUNCIL	\$ 257,823	\$ 240,871	\$ 16,952	7%	\$ 379,078	68%
CITY MANAGER	1,137,708	517,997	619,710	>100%	2,786,859	41%
CITY CLERK	111,197	122,746	(11,549)	-9%	244,879	45%
CITY ATTORNEY	230,273	223,236	7,037	3%	455,059	51%
HUMAN RESOURCES	1,239,979	1,792,515	(552,536)	-31%	2,796,037	44%
INFORMATION TECH.	1,297,717	1,559,454	(261,737)	-17%	3,226,479	40%
FIRE/RESCUE	6,832,697	6,356,747	475,950	7%	14,351,711	48%
FINANCIAL SVCS.	1,331,647	1,401,426	(69,779)	-5%	2,491,577	53%
CONTINGENCY	-	-	-	0%	56,275	0%
OPEB CONTRIBUTION	500,000	-	500,000	100%	500,000	100%
POLICE	11,664,073	11,155,615	508,458	5%	23,237,278	50%
RECREATION & PARKS	3,760,116	3,712,350	47,766	1%	8,501,466	44%
PUBLIC WORKS	4,065,631	4,259,737	(194,106)	-5%	11,214,851	36%
COMM. DEVELOPMENT	1,149,336	1,269,348	(120,012)	-9%	2,752,093	42%
INDIRECT COST	(655,789)	(641,285)	(14,505)	2%	(1,432,859)	46%
TOTAL	\$32,922,409	\$31,970,759	\$ 951,650	3%	\$71,560,783	46%

Overall, departmental spending fell within the expected limit as a percentage of budgets. Total department expenses have increased by 3%, year-to-date. Departmental variances greater than +/- 10% are noted below:

- CITY MANAGER:** The year-to-date increase of more than 100% is in part due to the addition of the Economic Development Division to the City Manager's Office for FY 2017. For FY 2016, the Economic Development

Division was located in the Community Development Department. The increase can also be attributed to the fact that several positions that are now filled for FY 2017 were vacant for a significant part of the first half of FY 2016. Such positions include two Assistant City Manager positions, an Economic Development Coordinator, an Internal Auditor position, and a Budget Analyst position.

- **HUMAN RESOURCES:** The 31% YTD decrease is due to a change in the timing of workers' compensation premium and loss payments, as well as the timing for those payments in FY 2016. Additionally, the decrease is due to fees associated with the performance management study (i.e. merit pay) incurred in the prior year.
- **INFORMATION TECHNOLOGY:** The 17% decrease, year-to-date, is due to the timing of capital expenses associated with the Storage Area Network project that occurred in the prior year as well as the timing of various contract services payments associated with systems maintenance fees.
- **OPEB CONTRIBUTION:** The year-to-date increase of 100% is due to the timing of the OPEB payment in FY 2017 compared to FY 2016. The payment occurred in February during the prior fiscal year.

Transfers:

GENERAL FUND TRANSFERS AS OF DECEMBER 31, 2016					
Description	2017 YTD	2016 YTD	\$ CHANGE	2017 BUDGET	% REC/ SPENT
To Facilities Imp Fund	1,590,000	1,579,180	10,820	1,590,000	100%
To Capital Reserve	460,000	-	460,000	460,000	100%
To Transit Fund	565,269	683,784	(118,515)	565,269	100%
To Debt Service	1,678,357	1,680,315	(1,958)	4,809,002	35%
To Sheppard Library	498,774	581,096	(82,322)	1,197,058	42%
To Home Division	-	-	-	292,684	0%
To Spec Rev Grant	258,303	-	258,303	258,303	100%
To R&P Capital Projects	1,579,364	-	1,579,364	1,579,364	100%
To PW Capital Projects	164,761	-	164,761	164,761	0%
To CD Capital Projects	-	-	-	1,040,000	0%
To Street Imp	1,700,000	-	1,700,000	1,700,000	100%
TOTAL	\$ 8,494,828	\$ 4,524,375	\$ 3,970,453	\$ 13,656,441	62%

The year-to-date increase in transfers is due to an effort to create a higher level of timeliness in the transfer of funds from the General Fund. Year-to-date, 62% of all General Fund transfers have been completed with all budgeted transfers expected to be completed during the fiscal year. The following is a summary of a few of the transfers with significant variances as compared to the prior year:

Capital Reserve: Transfer of \$460,000 budgeted for the Sidewalk Development / City employee parking project. This transfer will increase the amount in the Capital Reserve Fund for the project to approximately \$1.9 million.

R&P Capital Projects: Transfer of \$1,579,364 budgeted to fund the following capital projects:

Town Common Renovation	\$ 985,932
South Greenville	267,500
Tar River Legacy Plan	325,932
Total	\$ 1,579,364

Street Improvements: Transfer of \$1.7 million represents budget transfer to the Street Improvements Fund for street resurfacing projects.

Mid-Year General Fund Projection:

The following is a summary of revenue and expenditure projections for the General Fund based on results through December 31, 2016:

FISCAL YEAR 2017 GENERAL FUND PROJECTION				
	2017 BUDGET	2017 YTD	2017 PROJECTION	VARIANCE BUDGET vs. PROJ.
REVENUES				
PROPERTY SALES	\$ 32,444,935	\$ 24,686,584	\$ 32,322,514	\$ (122,421)
UTILITIES	17,831,023	6,366,201	18,181,023	350,000
MOTOR VEHICLE INSPECTION	7,158,899	3,549,076	6,861,147	(297,752)
RESCUE	1,383,674	522,028	1,233,757	(149,917)
RECREATION	916,402	712,055	1,250,782	334,380
INVESTMENTS	3,096,519	1,254,064	3,096,519	-
GUC TRANS. IN	1,979,690	723,050	1,844,569	(135,121)
POWELL BILL	500,000	38,696	500,000	-
ALL OTHER REV.	6,459,112	3,013,818	6,675,407	216,295
TOTAL REVENUES	\$ 81,084,668	\$ 45,390,951	\$ 81,526,565	\$ 441,897
EXPENSES				
PERSONNEL	\$ 50,659,031	\$ 24,813,835	\$ 50,509,031	(150,000)
OPERATING	17,803,111	7,498,862	17,606,370	(196,741)
CAPITAL IMPROVEMENTS	4,031,500	765,500	2,015,750	(2,015,750)
INDIRECT COST REIMB.	(1,432,859)	(655,789)	(1,432,859)	-
TRANSFERS	13,656,441	8,494,828	13,656,441	-
OTHER EXPENSES	500,000	500,000	500,000	-
TOTAL EXPENSES	\$ 85,217,224	\$ 41,417,236	\$ 82,854,733	\$ (2,362,491)
REVENUES LESS EXPENSES	\$ (4,132,556)	\$ 3,973,715	\$ (1,328,168)	2,804,388
FUND BALANCE APPROPRIATED	4,132,556	-	-	-
NET	\$ -	\$ 3,973,715	\$ (1,328,168)	\$ 2,804,388

Actual revenues are projected to exceed budget by approximately \$441,897 for FY 2017. The following are a few highlights to note concerning revenues:

- **Sales Tax Revenues:** Sales tax revenues continue to exceed budget. As a result, sales tax revenues continue to comprise a larger percentage of the overall General Fund revenue budget. This has definitely been to the benefit of the City's operations, which has allowed a greater amount of budgeted expenses to be leveraged on sales tax revenues over the last several years. However, the City must pay close attention to any proposed legislation in the General Assembly long session that compromises or redirects sales taxes away from municipalities such as Greenville.
- **Utility Franchise Taxes:** Utility Franchise Tax revenues are being projected at \$297,752 less than budget. The budget for the Utility Franchise Taxes was based on a 3.5% increase from FY 2016. This increase was based on the N.C. League of Municipalities FY 2017 revenue projections issued as part of the FY 2017 budgeting process. The year-to-date utility revenues of \$3,549,076 represent the first two quarters of FY

2017. The remaining two quarter projections are based on prior year historical experience. The City should have a very good indication as to the actual level of utility revenue shortfall, if any, after the next quarterly distribution from the State, which is scheduled for March, 2017.

- Inspection Revenues: This revenue line item is projected to exceed budget by approximately \$334,380. However, this projection may be adversely influenced by current staffing shortages within the Inspections Division.

Actual expenses are projected to be approximately \$2,362,491 less than budget primarily due to the timing of capital projects. It should also be noted that the difference between projected personnel expense and budget is only \$150,000. This is a very small budget variance and significantly less than the variances projected in prior years. The small, projected budget balance for personnel expenses can be attributed to:

- Personnel expenses related to Hurricane Matthew
- Police implementation of Emergency Call Back policy
- Two nights of Halloween coverage as compared to one
- Increase in vacancy factor built into the budget from 3.0% to 4.0%
- Over hiring in the Police and Fire/Rescue Departments to account for anticipated vacancies

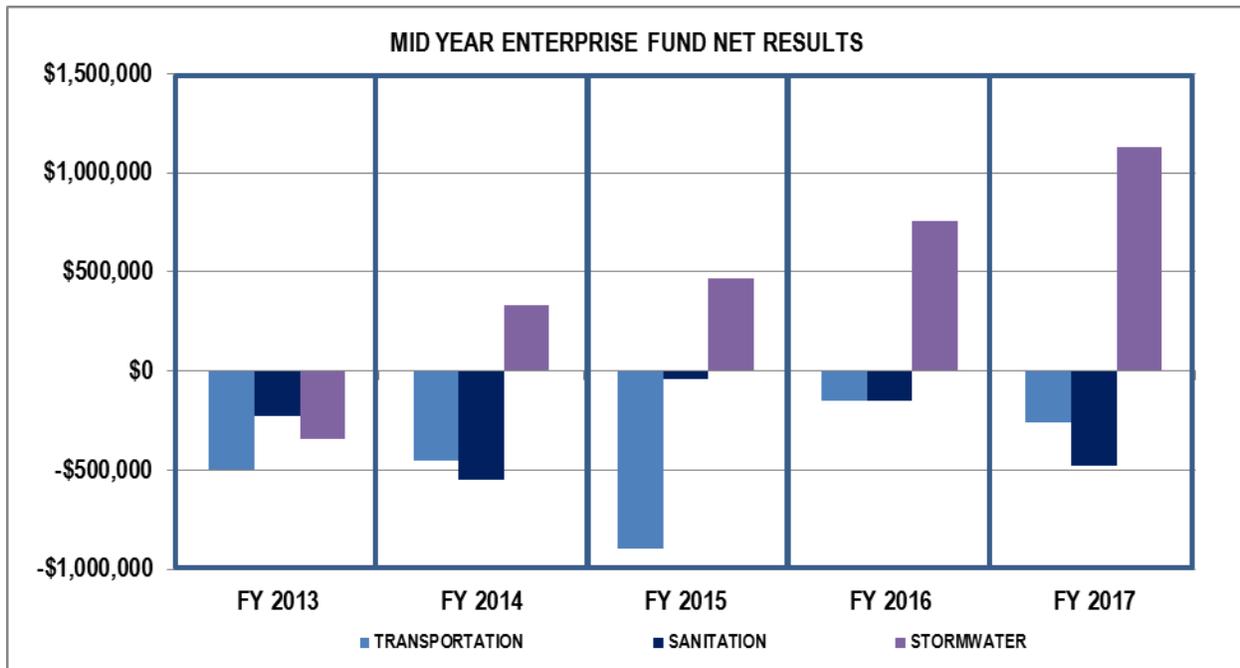
Personnel expenses will continue to be closely monitored as the City moves through the remainder of the fiscal year.

For FY 2017, General Fund expenses are BUDGETED to exceed revenues by \$4,132,556. The Council has appropriated \$4,132,556 in fund balance to cover the amount by which expenses are budgeted to exceed revenues. In other words, the FY 2017 budget is balanced on the use of (i.e. reduction in) fund balance.

Based on the actual six-month period ending December 31, 2016, FY 2017 actual expenses are projected to exceed revenues by approximately \$1,328,168. In other words, fund balance is being projected to reduce by approximately \$1,328,168, which is approximately \$2,804,388 less than the reduction included in the budget.

A major component of the projected \$1,328,168 reduction in fund balance is the purchase of the Imperial site. The Council appropriated \$1,040,000 in fund balance to purchase the site. While the purchase has yet to be made, projected expenses for the year reflect the purchase. Therefore, approximately \$1,040,000 (78%) of the projected reduction in fund balance of \$1,328,168 is attributed to the purchase of the Imperial site.

Enterprise Funds



Transit Fund:

TRANSIT FUND SUMMARY AS OF DECEMBER 31, 2016						
	2017	2016	\$	%	2017	% REC./
	YTD	YTD	CHANGE	CHANGE	BUDGET	SPENT
REVENUES						
INTERGOV'T	\$ 182,235	\$ -	\$ 182,235	100%	\$1,584,729	11%
SALES AND SERVICES	126,840	136,699	(9,858)	-7%	380,014	33%
TRANSFERS IN	565,269	683,784	(118,515)	-17%	565,269	100%
APPRO. FUND BAL.	-	-	-	-	131,720	0%
TOTAL REVENUES	\$ 874,344	\$ 820,483	\$ 53,862	7%	\$2,661,732	33%
EXPENSES						
PERSONNEL	\$ 541,035	\$ 541,292	\$ (257)	<1%	\$1,099,591	49%
OPERATIONS	385,698	301,272	84,426	28%	1,041,029	37%
CAPITAL OUTLAY	100,724	127,444	(26,720)	-21%	417,112	24%
TRANSFERS	104,000	-	104,000	100%	104,000	0%
TOTAL EXPENSES	\$ 1,131,457	\$ 970,008	\$ 161,449	17%	\$2,661,732	43%
NET	\$ (257,113)	\$ (149,525)	\$ (107,588)	-72%		

The year-to-date net loss in the Transit Fund for FY 2017 has increased 72% as compared to the prior year. It is very typical for the Transit fund to have a negative net result during this time of year, as the majority of the fund revenues are FTA and NCDOT grant reimbursement based. The fund is projected to meet budget for both revenues and expenses based on the percentage spent year-to-date.

- **INTERGOVERNMENTAL REVENUE:** Intergovernmental revenues have increased 100% compared to the prior year, due to the timing of grant reimbursement revenue received in FY 2017.
- **TRANSFERS IN:** There was a 17% decrease in transfers to the Transit Fund in FY 2017 due to the estimated expenses anticipated for this fiscal year.
- **OPERATIONS:** The 28% increase in operations is due to a change in procedure related to the recording of depreciation expense. Prior to FY 2016, depreciation was calculated annually. With the implementation of the ERP system, depreciation can be calculated and recorded monthly. FY 2017 is reflective of depreciation being calculated and recorded on a monthly basis.
- **CAPITAL:** The year-to-date decrease of 21% in Capital Outlay is primarily due to the additional payment made in the prior year to the County for ADA services. The services must be categorized as capital in order to receive Federal reimbursement.
- **TRANSFERS OUT:** The 100% increase in transfers out is due to a current year transfer to the GTAC project based on carryover grant funding assigned to the project.

Sanitation Fund:

SANITATION FUND SUMMARY AS OF DECEMBER 31, 2016						
	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC./ SPENT
REVENUES						
REFUSE FEES	2,957,493	2,951,989	5,504	<1%	7,481,586	40%
SALES / SERVICES	80,721	60,173	20,548	34%	93,020	87%
OTHER INCOME	30,461	29,262	1,199	4%	73,345	42%
BOND PROCEEDS	-	425,000	(425,000)	-100%	-	0%
APPRO. FUND BAL.	-	-	-	-	86,473	0%
TOTAL REVENUES	\$ 3,068,675	\$ 3,466,424	\$ (397,749)	-11%	\$ 7,734,424	40%
EXPENSES						
PERSONNEL	\$ 1,481,093	\$ 1,404,334	\$ 76,759	5%	\$ 3,068,112	48%
OPERATIONS	1,383,584	1,299,721	83,863	6%	4,011,492	34%
CAPITAL OUTLAY	-	479,164	(479,164)	-100%	234,093	0%
TRANSFERS OUT	681,827	431,079	250,749	58%	420,727	162%
TOTAL EXPENSES	\$ 3,546,505	\$ 3,614,298	\$ (67,793)	-2%	\$ 7,734,424	46%
NET	\$ (477,830)	\$ (147,874)	\$ (329,956)	<-100%		

Like all other aspects of the City's operations, the Sanitation Fund has been impacted by Hurricane Matthew. Personnel expenses are up due to the additional hours worked to catch up after the storm. In addition, the Sanitation Fund's FY 2017 financial operations are being influenced by a repayment to the Vehicle Replacement Fund. In FY 2016, a transfer of approximately \$700,000 was made from the Vehicle Replacement Fund to the Sanitation Fund to remove Sanitation's negative fund balance and to be in compliance with audit requirements. Approximately \$237,816 of the Fund's year-to-date negative variance can be attributed to a partial repayment of this transfer to the Vehicle Replacement Fund (i.e. Transfer Out).

- **SALES AND SERVICES:** The 34% increase is due to an increase in Cart and Dumpster receipts. This line item can fluctuate based on the volume of cart and dumpster receipts issued.

- **BOND PROCEEDS:** The year-to-date decrease of 100% is due to the recording of the bond proceeds for the last round of the Roll-Out Cart program that occurred in the prior year.
- **CAPITAL OUTLAY:** The year-to-date decrease of 100% is due to the timing of capital outlay expenses that occurred in the prior year. Such expenses include capital equipment and other capital expenses associated with the Multi Family Recycling Center.
- **TRANSFERS OUT:** The 100% increase in transfers out is due to the addition of a current-year transfer to the Vehicle Replacement Fund.

Stormwater Fund:

STORMWATER FUND SUMMARY AS OF DECEMBER 31, 2016						
	2017 YTD	2016 YTD	\$ CHANGE	% CHANGE	2017 BUDGET	% REC./ SPENT
REVENUES						
STORMWATER FEES	\$ 2,188,264	\$ 1,978,178	\$ 210,086	11%	\$ 5,374,886	41%
OTHER INCOME	345	-	345	100%	-	-
APPRO. FUND BAL.	-	-	-	-	1,272,792	0%
TOTAL REVENUES	\$ 2,188,610	\$ 1,978,178	\$ 210,432	11%	\$ 6,647,678	33%
EXPENSES						
PERSONNEL	\$ 596,992	\$ 617,279	\$ (20,287)	-3%	\$ 1,427,041	42%
OPERATIONS	203,362	277,726	(74,364)	-27%	1,261,848	16%
CAPITAL OUTLAY	-	57,097	(57,097)	-100%	542,985	0%
CAPITAL IMPROV.	54,560	65,435	(10,875)	-17%	1,709,748	3%
TRANSFERS OUT	203,028	203,028	-	0%	1,706,056	12%
TOTAL EXPENSES	\$ 1,057,942	\$ 1,220,566	\$ (162,624)	-13%	\$ 6,647,678	16%
NET	\$ 1,130,668	\$ 757,612	\$ 373,056	49%		

- **REVENUES:** The Stormwater Fund has experienced an improvement in net results based on the seven-year plan. The operation has implemented an annual fee increase in an effort to allow the fund to cover future expenses. The increase in revenue is reflective of the fee adjustment included in this year's operations.
- **EXPENSES:** Stormwater expenses vary significantly according to the amount of Stormwater maintenance activity and timing of capital projects. Operating expenses fluctuate based on timing differences of when items are paid. The year-to-date decrease of 27% in operations is due to the timing of payment for the 2006 Public Improvement Bond, which occurred in the prior year. The decreases in Capital Improvement and Capital Outlay are due to the timing of capital expenses in FY 2017. Most capital expenses pertaining to Stormwater are tracked within separate capital project funds.