

To the Mayor and Members of the City Council

May 21, 2013

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SUBJECT: SECOND QUARTER BUDGET OVERVIEW

The purpose of this informal report is to provide a FY2013 second quarter overview of current budget projections and revised financial forecasts. This report addresses the March 2013 budget projection for all major funds, the quarterly update on the progress of capital project spending and the most recent gas lease revenue information. A comprehensive and detailed review of the second quarter is available in the Quarterly Financial Management Report.

FY2013 Budget to Projection Comparison

Financial reports through the end March 2013 indicate that General Fund revenue collections for FY2013 are projected to be \$551 million, which is \$6.1 million or 1.1% above the revised budget. Performing particularly well are sales tax at \$4.6 million or 4.2% above budget and property tax at \$1.2 million or 0.4% above budget. General Fund expenditures are expected to end the year above budget by \$2.9 million or 0.5%. The most significant budget overage is tied to not achieving the budgeted salary savings in the Police Department which is \$3.8 million or 1.9% above budget.

As shown in the table below, the FY2013 budget was adopted with the anticipated use of \$40.8 million in fund balance. As of the second quarter re-estimates the current projected potential use of fund balance is now approximately \$44.4 million due to supplemental appropriations and expenditure overages offset by a projected increase in revenues.

| | Adopted Budget | Supplemental Appropriation | Revised Budget | March Re-Estimate | Variance | Percent |
|--------------------|-----------------------|-----------------------------------|-----------------------|--------------------------|-----------------|----------------|
| Revenue | \$543,044,058 | \$1,466,828 | \$544,510,886 | \$550,657,073 | \$6,146,187 | 1.1% |
| Expenditure | \$583,836,315 | \$8,307,058 | \$592,143,373 | \$595,071,811 | (\$2,928,438) | (0.5%) |
| Total | (\$40,792,257) | | (\$47,632,487) | (\$44,414,737) | | |

The following table collectively shows the FY2013 projected revenue and expenditures for Non-General Funds in thousands. Enterprise Funds show a significant use of fund balance primarily due to approved rollovers and supplemental appropriations in the Municipal Airport and Stormwater Utility Funds, in addition to revenue shortfalls in the Municipal Golf Fund. The Water & Sewer Fund has a projected operating surplus. Use of fund balance for Internal Service Funds is primarily due to supplemental appropriations in IT Solutions and revenue shortfalls in Capital Project Services. The Culture and Tourism Fund's use of fund balance represents on-going scheduled capital improvements and the Crime Control and Prevention District (CCPD) Fund increased for significant rollover appropriations associated with the replacement of mobile data computers.

| | Estimated Revenues | Estimated Expenditures | Source / (Use) Fund Balance |
|---------------------------|---------------------------|-------------------------------|------------------------------------|
| Enterprise Funds | \$479,513 | \$484,608 | (\$5,095) |
| Internal Service Funds | \$65,787 | \$68,913 | (\$3,126) |
| Insurance Funds | \$121,336 | \$118,172 | \$3,163 |
| Culture & Tourism Fund | \$34,239 | \$36,374 | (\$2,135) |
| Crime Control Prev. Dist. | \$57,393 | \$59,238 | (\$1,845) |
| Total Select Funds | \$758,268 | \$767,305 | (\$9,038) |

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Quarterly Capital Spending Update

Current bond proceeds totaling \$604.4 million are available from four major programs dating back to 2004. Of this amount, \$573.0 million has been sold to date leaving \$31.4 million remaining to be sold across all four programs.

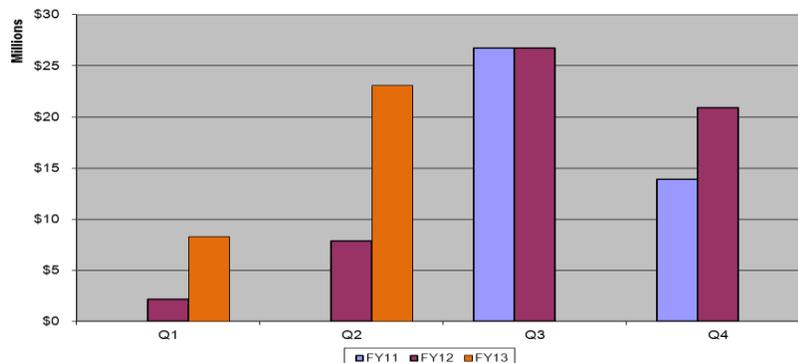
| Capital Program | Amount (X1,000) | | |
|-----------------------|------------------|------------------|-----------------|
| | Program Total | Debt Sold | Unsold Debt |
| 2004 Bond Program | \$273,500 | \$267,724 | \$5,776 |
| 2004 Overruns | \$27,220 | \$15,015 | \$12,205 |
| 2007 Critical Capital | \$153,654 | \$145,954 | \$7,700 |
| 2008 Bond Program | \$150,000 | \$144,276 | \$5,724 |
| Total | \$604,374 | \$572,969 | \$31,405 |

Staff plans to seek direction regarding the authority to sell the remaining \$31.4 million at the June 17, Capital Projects Workshop. Of the bonds sold to date, \$133.3 million remains unspent as noted in the following table, which presents amounts in thousands.

| Capital Program | Proceeds Unspent as of Mar 2012 | Annual Activity * | | | Proceeds Unspent as of Dec 2012 |
|-----------------------|---------------------------------|-------------------|------------------|-----------------|---------------------------------|
| | | Expenditures | Bond Sale | Total Annual* | |
| 2004 Bond Program | \$29,271 | (\$7,037) | \$17,779 | \$10,742 | \$40,013 |
| 2004 Overruns | \$3,642 | (\$2,196) | \$2,830 | \$634 | \$4,276 |
| 2007 Critical Capital | \$41,380 | (\$7,080) | \$10,243 | \$3,163 | \$44,543 |
| 2008 Bond Program | \$26,651 | (\$62,758) | \$80,536 | \$17,778 | \$44,429 |
| Total | \$100,944 | (\$79,071) | \$111,388 | \$32,317 | \$133,261 |

*Includes Sept 2013 Bond Sale

Capital expenditures, however, are proceeding at a brisk pace. FY2013 quarterly expenditures are exceeding expenditures for comparable periods in FY2012. The quarterly data shown below include paid invoices, encumbrances and cash held by others, which reflects all categories of funds committed to projects and no longer available for any other use.



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Gas Lease Revenue Update

Life to Date (LTD) gross revenues plus interest since inception of the Gas Lease Program in 2004 has surpassed \$200 million, netting over \$198 million to the program through March 31, 2013. Between December 31, 2012 and March 31, 2013, the City's natural gas leases provided total gross revenues in excess of \$5 million.

The quarterly changes from December 2012 to March 2013 are noted below. Detailed reports regarding cumulative revenue and expenditures associated with the City's natural gas leases are available in the Gas Lease Program section of the Quarterly Financial Management Report.

| | As of Dec 2012 | As of Mar 2013 | Variance |
|-------------------------------|-----------------------|-----------------------|------------------|
| LTD Gross Revenues | \$189,924,882 | \$195,185,198 | \$5,260,316 |
| Less Fees | (\$3,749,909) | (\$3,779,886) | (\$29,977) |
| Net Revenue | \$186,174,973 | \$191,405,312 | \$5,230,339 |
| Interest | \$7,148,360 | \$7,364,037 | \$215,678 |
| Net Revenue w/ Interest | \$193,323,333 | \$198,769,350 | \$5,446,017 |
| Appropriations | (\$100,163,039) | (\$104,947,057) | (\$4,784,018) |
| Loans | (\$13,361,345) | (\$13,361,345) | \$0 |
| LTD Remaining Revenues | \$79,798,949 | \$80,460,948 | \$661,998 |

Should you have any questions regarding this information, please contact Jay Chapa, Interim Director, Financial Management Services department, at (817) 392-5804 or Susan Alanis, Assistant City Manager, at (817) 392-8180.

**Tom Higgins
City Manager**