

MONTHLY FINANCIAL REPORT OCTOBER 2014

DECEMBER 16, 2014



INTRODUCTION

I am pleased to present to you the monthly financial report for October 2014. This report has been a work in progress for nearly a year and as you will notice, I have reformatted the information to provide an easier to read presentation. The material presentation is always a balance between too much or too little and I realize that each person's idea of what is enough is different. To make the information easier to digest, I have consolidated several of the attachments and provided less written discussion. Here is a list of the attached charts and schedules:

- Attachment A – Sales and Bed Tax Revenue
- Attachment B – State Shared Revenues
- Attachment C – Business Sales by Class Subject to TPT
- Attachment D – General Fund Revenue and Expenditure Detail
- Attachment E – Wastewater Fund Revenue and Expense Detail
- Attachment F – All Funds Fund Balance Summary

This report summarizes the financial position of the City of Sedona for the first four months of the current 2015 fiscal year (July 1, 2014 through June 30, 2015) and provides an estimate of how the year will end (see Attachment D, E, and F).

As always this report addresses the three major funds of the City: General Fund, Highway Users Revenue Fund (HURF) or Streets Fund, and Wastewater Fund (*this information is contained on pages 3-5*). If there is information that you would like to see added to the report, your feedback and suggestions are always welcome.

A few items of note in October:

- When reviewing the percent of budget collected or expended, keep in mind that if the revenues come in equally each month and expenditures equally spent, by the end of October the City should have collected **33.33%** (8.33% X 4 months) of the year's revenue and similarly, expended approximately one-third of the expenditure budget.
- Sales Tax Revenues for the month of October, 2014 increased by 33% over October, 2013. While October, 2014 was a strong month, this result is more likely the result of underreporting which occurred in October, 2013. The City recognizes sales and bed tax revenue in the month it is collected and reported by Revenue Discovery Systems (RDS). This means that revenue reported and remitted by the taxpayer late or processed by RDS in the next month will result in under or over reported business activity for that specific month. Collections for the month of October are due November 20. The Thanksgiving holiday at month end will create a

disruption for filing, mailing and processing returns. If you look back to October, 2013, that month was down 26% from October, 2012, but the next month November, 2013 was up by 19%. I suspect the holiday impacted the 2013 reported collections for October. As always, a much more reliable measure of how the City's sales revenue is performing is to look at the year-to-date comparison, which is up 11% year to date. (See Attachment A).

- Please remember that in 2014-2015, the City began recognizing debt service on a monthly basis, instead of when paid. This means that expenditures to date will be higher in the General Fund and especially in the Wastewater Fund for the first eleven months of the year, when compared to prior year's months.

CONCLUSION

The October, 2014 report continues to present a stable and promising year for the City financially. Sales and Bed tax revenues to date for the first four months of the fiscal year are 10% and 14% above budget and well above last year's revenue collections. Based on the performance of tax revenues for the first third of the year, we are projecting a conservative increase over budget of 3%.

Expenditures for the General and Wastewater Fund are higher than last year but still on target with budget. Early recognition of debt service accounts for a portion of this increase.

If you have questions or would like additional information, please feel free to contact me.

Tabatha Miller
Finance Director
City of Sedona
102 Roadrunner Drive
Sedona, AZ 86336
Tmiller@sedonaaz.gov
(928) 203-5193

GENERAL FUND PERFORMANCE

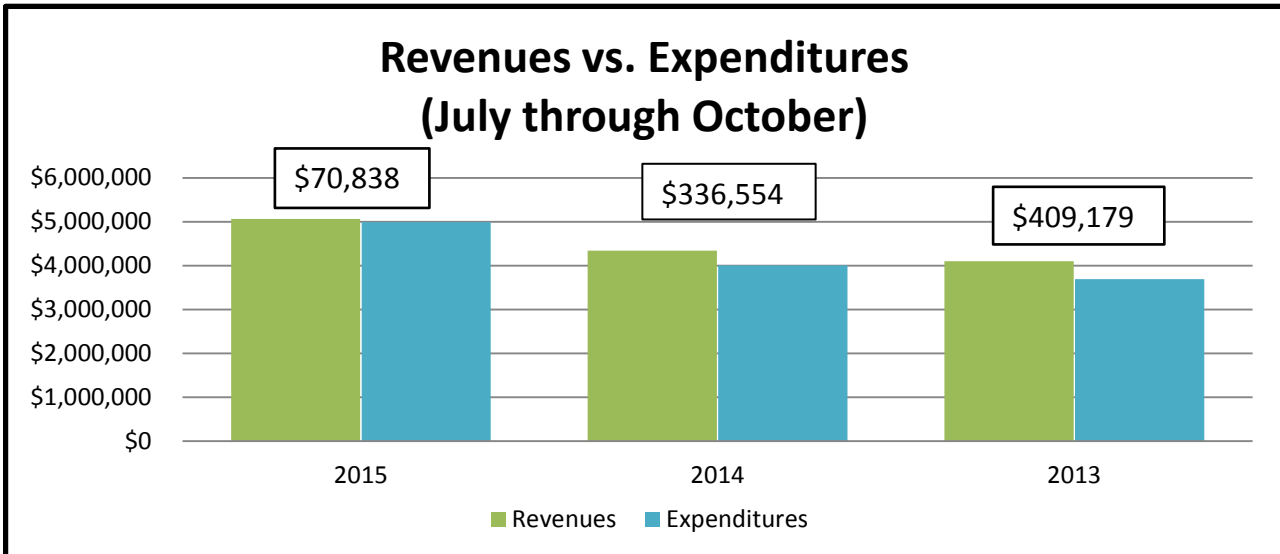
Revenues vs. Expenditures

	FY 2015	FY 2015	
	Revenues	Expenditures	Variance
JUL	1,135,557	1,221,552	(85,995)
AUG	1,172,484	1,865,190	(692,706)
SEP	1,464,805	921,348	543,457
OCT	1,294,573	988,491	306,082
NOV			
DEC			
JAN			
FEB			
MAR			
APR			
MAY			
JUN			
Totals	5,067,419	4,996,581	70,838
Prior YTD	4,345,296	4,008,742	336,554
% Change	17%	25%	-79%

The General Fund is the fund that supports day-to-day City operations, including general City government, police services, public works, parks and recreation and outside service contracts. The General Fund's primary source of revenue is local sales taxes, bed taxes and state shared revenues. Together, these sources make up approximately 85% of the total General Fund Revenues. The local sales tax is split 70% - 30% between the General Fund and the Wastewater Fund. When comparing prior year's data, please remember that this allocation was 65% - 35% in FY 2014 and 60% - 40% in FY 2013.

For more detailed information on revenues & expenditures see Attachment D.

Fiscal Year	Revenue Budget	Revenues July to October	% of Budget Collected	Expenditure Budget	Expenditures July to October	% of Expenditures to Date
2015	\$15,143,892	\$5,067,419	33.5%	\$14,829,308	\$4,996,581	33.7%
2014	\$13,571,822	\$4,345,296	32.0%	\$13,070,504	\$4,008,742	30.7%
2013	\$13,468,697	\$4,101,233	30.5%	\$12,281,082	\$3,692,054	30.1%



STREETS FUND PERFORMANCE

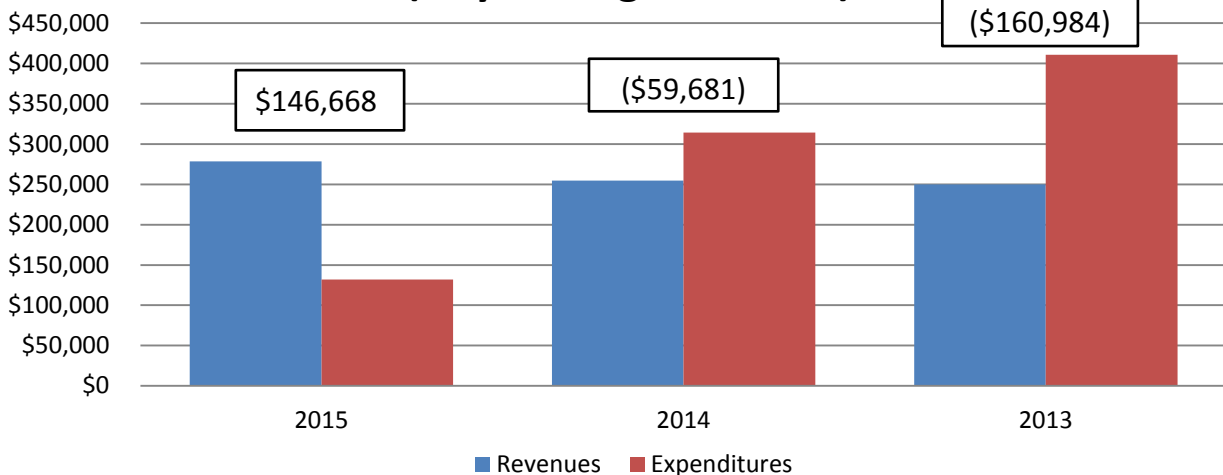
Revenues vs. Expenditures

	FY 2015 Revenues	FY 2015 Expenditures	Variance
JUL	72,881	9,168	63,713
AUG	70,662	64,154	6,508
SEP	69,235	39,818	29,417
OCT	65,720	18,690	47,030
NOV			
DEC			
JAN			
FEB			
MAR			
APR			
MAY			
JUN			
Totals	278,498	131,830	146,668
Prior YTD	254,786	314,467	(59,681)
% Change	9%	-58%	-346%

The Streets Fund, also known as the Highway Users Revenue Funds (HURF) Fund, is primarily funded through the State shared HURF, otherwise known as the gas tax. These dollars are restricted to use of streets/right-of-way maintenance and improvements. Because this state shared revenue source has been insufficient to fund the necessary maintenance needs of the City, General Funds have subsidized the expenditures in this fund for several years. This subsidy is budgeted at \$500,000 for FY 2015.

Fiscal Year	Revenue Budget	Revenues July to October	% of Budget Collected	Expenditure Budget	Expenditures July to October	% of Expenditures to Date
2015	\$765,140	\$278,498	36.4%	\$1,275,140	\$131,830	10.3%
2014	\$725,084	254,786	35.1%	\$2,266,077	314,467	13.9%
2013	\$694,758	\$250,037	36.0%	\$2,576,197	\$411,021	16.0%

Revenues vs. Expenditures (July through October)



WASTEWATER FUND PERFORMANCE

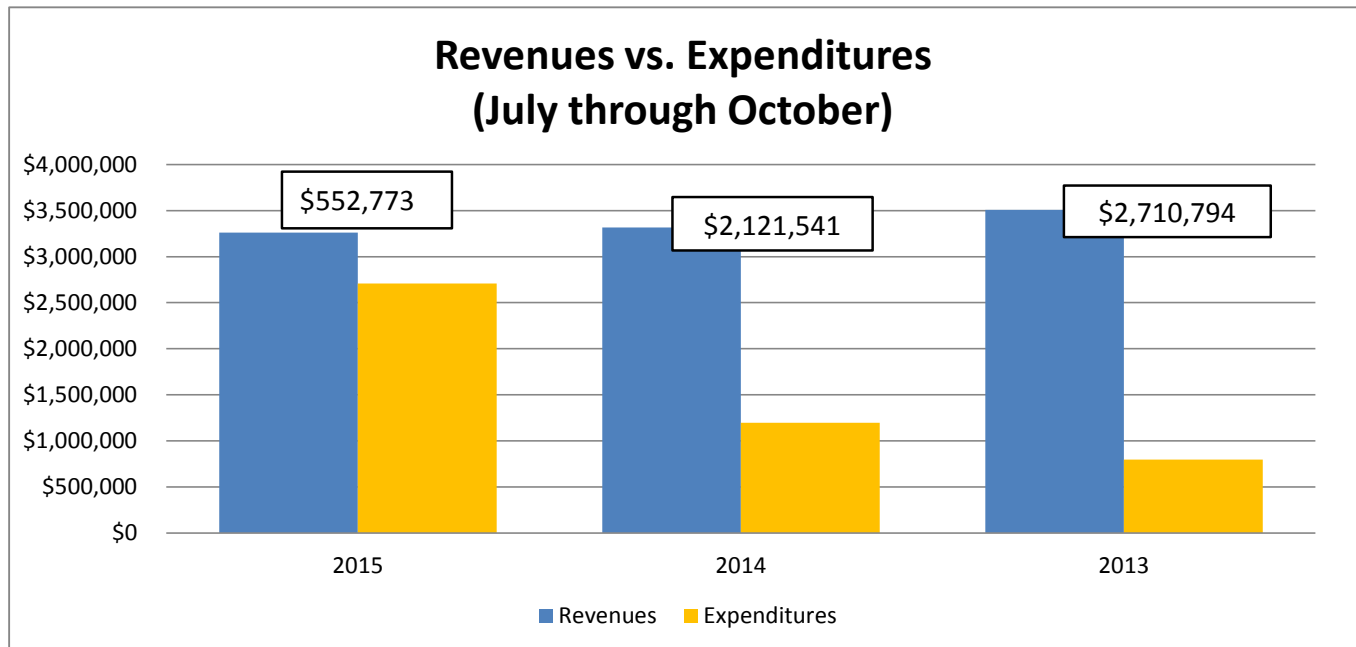
Revenues vs. Expenditures

	FY 2015 Revenues	FY 2015 Expenditures	Variance
JUL	789,827	506,147	283,680
AUG	798,574	754,363	44,211
SEP	855,137	697,517	157,620
OCT	818,526	751,264	67,262
NOV			
DEC			
JAN			
FEB			
MAR			
APR			
MAY			
JUN			
Totals	3,262,064	2,709,291	552,773
Prior YTD	3,317,400	1,195,859	2,121,541
% Change	-2%	127%	-74%

The City's Wastewater Fund accounts for the revenue collected for and expenses incurred to operate the City's wastewater or sewer utility. The Wastewater Fund is an enterprise fund and is accounted for as a proprietary fund in which external users are charged fees for sewer service. In addition to monthly wastewater user fees and one-time capacity fees the fund is supported by a portion of the City sales tax revenue. In 2013-2014, 35% of the City's sales tax was allocated to the Wastewater Fund. In 2014-2015, the sales tax allocation was reduced to 30% of the City's sales tax.

For more detailed information on revenues & expenditures see Attachment F.

Fiscal Year	Revenue Budget	Revenues July to October	% of Budget Collected	Expenditure Budget	Expenditures July to October*	% of Expenditures to Date
2015	\$10,061,916	\$3,262,064	32.4%	\$13,458,640	\$2,709,291	20.1%
2014	\$10,221,580	\$3,317,400	32.5%	\$12,218,860	\$1,195,859	9.8%
2013	\$10,118,042	\$3,508,867	34.7%	\$11,959,515	\$798,073	6.7%

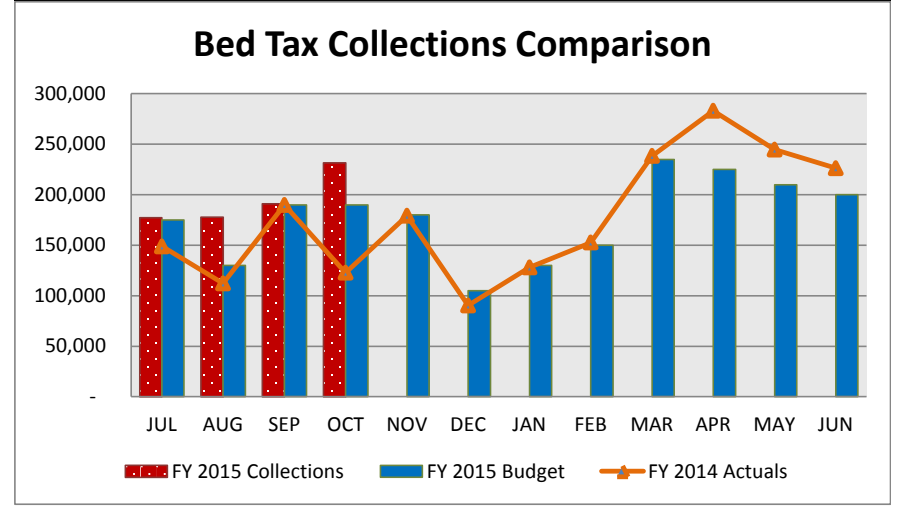
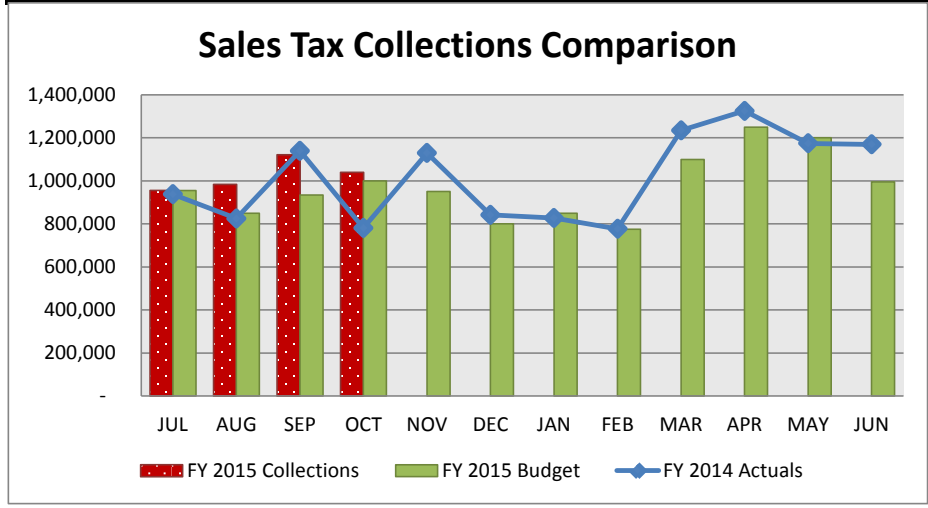


*Debt Service interest is paid in December and principal and interest payments in June. Prior to 2015, these payments were recognized when paid. In 2015 debt service is recognized in monthly accruals.

ATTACHMENT A CITY OF SEDONA SALES AND BED TAX REVENUE

REVENUE PERFORMANCE					
Sales Tax Excluding Bed Tax and Audit Revenues					
	FY 2014	FY 2015	Actual	FY 2015	Budget
	Actuals	Collections	Variance	Budget	Variance
JUL	937,622	956,280	2%	955,000	0%
AUG	825,310	984,303	19%	850,000	16%
SEP	1,138,765	1,121,548	-2%	935,000	20%
OCT	781,123	1,040,280	33%	1,000,000	4%
NOV	1,129,307	-		950,000	
DEC	841,884	-		800,000	
JAN	826,930	-		850,000	
FEB	777,367	-		775,000	
MAR	1,234,256	-		1,100,000	
APR	1,324,875	-		1,250,000	
MAY	1,174,385	-		1,200,000	
JUN	1,169,572	-		995,000	
Totals	\$12,161,396	\$4,102,411	11%	\$11,660,000	10%

REVENUE PERFORMANCE					
Bed Tax Revenues					
	FY 2014	FY 2015	Actual	FY 2015	Budget
	Actuals*	Collections	Variance	Budget	Variance
JUL	148,900	177,362	19%	175,000	1%
AUG	112,183	177,709	58%	130,000	37%
SEP	189,886	190,985	1%	190,000	1%
OCT	122,880	231,706	89%	190,000	22%
NOV	179,171	-		180,000	
DEC	90,500	-		105,000	
JAN	128,129	-		130,000	
FEB	152,660	-		150,000	
MAR	238,408	-		235,000	
APR	283,077	-		225,000	
MAY	244,632	-		210,000	
JUN	226,383	-		200,000	
Totals	\$2,116,809	\$777,762	36%	\$2,120,000	14%



*Effective 1-1-2014 the bed tax rate increased from 3.0% to 3.5%. For the months of January through June, 2014, \$172,806 can be attributed to the change in rate and for July through October, 2014 \$143,493.

ATTACHMENT B
CITY OF SEDONA
STATE SHARED REVENUE

REVENUE PERFORMANCE				
STATE SALES TAX				
	FY 2014	FY 2015		%
	Actuals	Collections	Variance	Variance
JUL	70,280	71,673	1,393	2%
AUG	67,333	70,838	3,505	5%
SEP	68,844	71,857	3,013	4%
OCT	67,859	71,885	4,026	6%
NOV	68,875	-	-	
DEC	71,415	-	-	
JAN	90,351	-	-	
FEB	68,271	-	-	
MAR	72,174	-	-	
APR	80,025	-	-	
MAY	73,565	-	-	
JUN	74,134	-	-	
Totals	\$873,126	\$286,253	\$11,937	4%

REVENUE PERFORMANCE				
STATE INCOME TAX				
	FY 2014	FY 2015		%
	Actuals	Collections	Variance	Variance
JUL	93,259	101,193	7,934	9%
AUG	93,259	101,193	7,934	9%
SEP	93,259	101,193	7,934	9%
OCT	93,259	101,193	7,934	9%
NOV	93,259	-	-	
DEC	93,259	-	-	
JAN	93,259	-	-	
FEB	92,360	-	-	
MAR	93,227	-	-	
APR	93,227	-	-	
MAY	93,227	-	-	
JUN	93,227	-	-	
Totals	\$1,118,082	\$404,772	\$31,735	9%

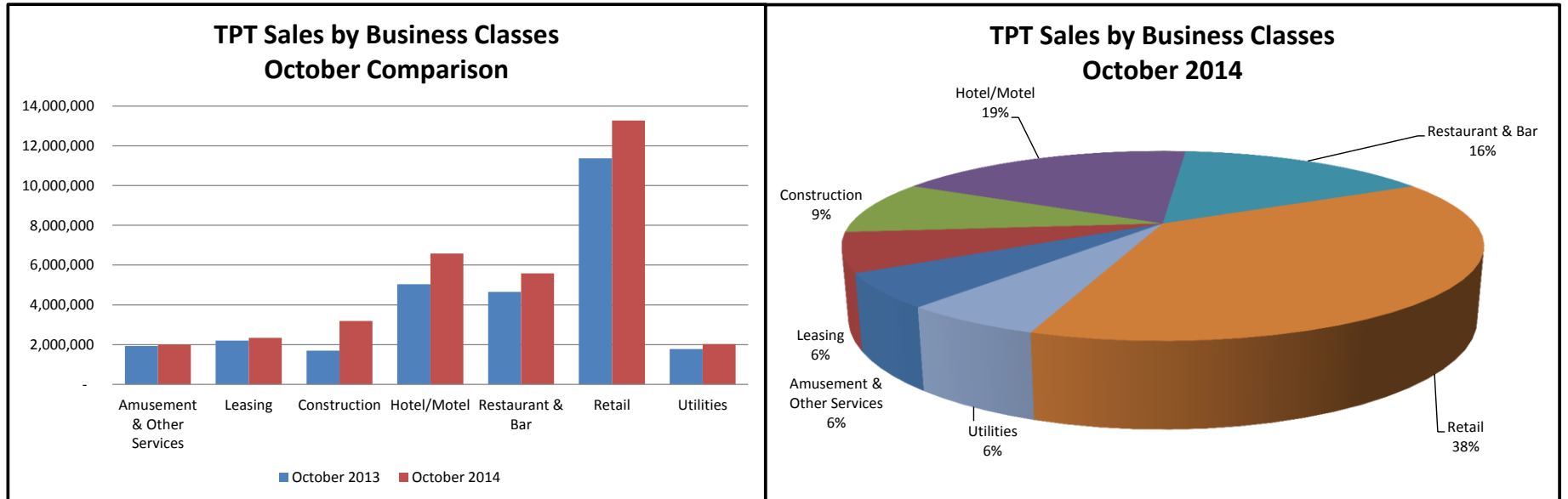
REVENUE PERFORMANCE				
VEHICLE LICENSE (COCONINO & YAVAPAI COUNTY)				
	FY 2014	FY 2015		%
	Actuals	Collections	Variance	Variance
JUL	44,114	48,060	3,946	9%
AUG	45,216	44,256	(960)	-2%
SEP	40,994	43,730	2,736	7%
OCT	44,198	46,705	2,507	6%
NOV	37,010	-	-	
DEC	39,096	-	-	
JAN	42,259	-	-	
FEB	37,595	-	-	
MAR	46,654	-	-	
APR	44,010	-	-	
MAY	43,643	-	-	
JUN	43,729	-	-	
Totals	\$508,518	\$182,751	\$8,229	5%

REVENUE PERFORMANCE				
HIGHWAY USERS REVENUE FUND				
	FY 2014	FY 2015		%
	Actuals	Collections	Variance	Variance
JUL	67,196	72,881	5,685	8%
AUG	63,464	70,661	7,197	11%
SEP	64,163	69,236	5,073	8%
OCT	59,962	65,720	5,758	10%
NOV	58,340	-	-	
DEC	58,718	-	-	
JAN	61,645	-	-	
FEB	58,124	-	-	
MAR	67,670	-	-	
APR	76,107	-	-	
MAY	70,454	-	-	
JUN	75,070	-	-	
Totals	\$780,913	\$278,498	\$23,712	9%

**ATTACHMENT C
CITY OF SEDONA
SALES SUBJECT TO TRANSACTION PRIVILEGE TAX (TPT) BY BUSINESS CLASSES
FOR SALES REPORTED IN MONTH**

Month	Amusement & Other Services	Leasing	Construction	Hotel/Motel	Restaurant & Bar	Retail	Utilities	Total
October 2013	1,922,321	2,199,771	1,696,366	5,038,731	4,653,838	11,372,870	1,782,048	\$ 28,665,945
November 2013	3,593,258	2,410,839	2,925,545	5,628,040	5,916,858	14,459,350	1,734,015	\$ 36,667,905
December 2013	1,521,828	2,193,503	2,929,164	3,573,118	5,141,517	13,017,824	1,833,111	\$ 30,210,065
January 2014	1,547,555	2,126,455	2,512,578	3,944,884	4,582,902	11,440,850	1,942,314	\$ 28,097,538
February 2014	1,749,301	1,876,200	2,932,662	3,928,853	4,362,197	9,000,791	651,072	\$ 24,501,076
March 2014	2,999,660	3,098,707	3,001,259	6,569,873	6,982,597	16,400,342	2,964,588	\$ 42,017,026
April 2014	3,781,846	2,535,383	7,242,969	8,034,009	7,754,006	14,858,577	1,756,416	\$ 45,963,206
May 2014	2,458,751	2,348,609	3,287,836	6,968,333	8,369,419	15,054,922	1,898,065	\$ 40,385,935
June 2014	2,498,207	2,706,821	3,532,733	6,448,341	6,673,869	15,605,185	2,344,699	\$ 39,809,855
July 2014	2,210,021	1,950,827	3,944,905	5,019,463	5,034,379	10,864,018	2,642,321	\$ 31,665,934
August 2014	2,470,422	2,648,983	3,151,827	5,052,307	5,749,897	12,932,908	2,626,168	\$ 34,632,512
September 2014	2,160,380	2,140,785	3,513,113	6,466,360	7,839,946	14,999,874	2,294,144	\$ 39,414,602
October 2014	2,000,364	2,337,163	3,187,393	6,578,417	5,575,610	13,267,073	2,021,064	\$ 34,967,084
October 2014 vs. October 2013	4.1%	6.2%	87.9%	30.6%	19.8%	16.7%	13.4%	22.0%

*Revenues are recognized in the month received, although historically somewhere from 20% to 40% of revenues may be attributable to prior or future periods.
For consistent and timely reporting sales reported here are reflective of the month the revenue was received even if it was from a prior or future period.



ATTACHMENT D
GENERAL FUND DETAILED EXPENDITURES AND REVENUES
YEAR-TO-DATE THROUGH OCTOBER, 2014

General Fund	YTD Actual	Prior YTD Actual	Difference	Budget 2015	% of Budget	Estimated Year End Actuals	% of Budget
<u>Revenues by Source</u>							
City Sales Tax	2,878,865	2,469,975	408,890	8,255,000	35%	8,502,650	103%
Bed Tax	777,763	573,848	203,915	2,120,000	37%	2,183,600	103%
Franchise Fees*	213,271	198,893	14,378	757,000	28%	757,000	100%
Vehicle License Fees	182,751	174,521	8,230	553,660	33%	553,660	100%
State Sales Tax	286,253	274,316	11,937	906,000	32%	906,000	100%
State Income tax	404,772	373,037	31,735	1,214,232	33%	1,214,232	100%
In-Lieu	-	-	-	410,000	0%	410,000	100%
Fines & Forfeitures	73,793	43,883	29,910	164,500	45%	172,725	105%
License & Permits	106,940	103,630	3,310	301,300	35%	301,300	100%
Charges for Service	41,709	26,079	15,630	71,440	58%	78,584	110%
Interest	54,933	80,746	(25,813)	168,810	33%	168,810	100%
Miscellaneous	46,369	26,368	20,001	221,950	21%	221,950	100%
Total General Fund Revenue	\$ 5,067,419	\$ 4,345,296	\$ 722,123	\$ 15,143,892	33%	\$ 15,470,511	102%
<u>Expenditures by Department</u>							
City Council	15,596	13,657	1,939	71,276	22%	71,276	100%
City Manager	214,816	203,824	10,992	790,854	27%	790,854	100%
Human Resources	55,876	56,136	(260)	193,966	29%	193,966	100%
Financial Services	124,537	137,380	(12,843)	460,678	27%	460,678	100%
Information Technology**	424,467	336,880	87,587	1,146,051	37%	1,146,051	100%
Legal	139,447	144,596	(5,149)	481,027	29%	481,027	100%
City Clerk	78,679	61,670	17,009	280,498	28%	280,498	100%
Parks & Recreation	141,830	124,097	17,733	466,510	30%	466,510	100%
General Services***	1,443,560	1,025,419	418,141	2,947,790	49%	2,947,790	100%
Community Development	308,045	300,027	8,018	1,183,336	26%	1,183,336	100%
Public Works	558,502	568,628	(10,126)	1,918,181	29%	1,918,181	100%
Police	1,151,015	959,199	191,816	3,756,494	31%	3,756,494	100%
Municipal Court	85,676	77,229	8,447	302,881	28%	302,881	100%
Debt Service	254,536	-	254,536	829,766	31%	829,766	100%
Total General Fund Expenditures	\$ 4,996,582	\$ 4,008,742	\$ 974,909	\$ 14,829,308	34%	\$ 14,829,308	100%
Balance Before Interfund Transfers	\$ 70,837	\$ 336,554	\$ (252,786)	\$ 314,584	23%	\$ 641,203	204%

*Franchise Fees are paid quarterly.

** The annual software license agreements are budgeted in the Information Technology Department, many of these are paid annual at the beginning of the fiscal year.

*** The Community Support in excess of \$2 million is budgeted in the General Services Department. These payments are made twice a year, once in the first month or two and again at mid-year.

ATTACHMENT E
WASTEWATER FUND DETAILED EXPENDITURES AND REVENUES
YEAR-TO-DATE THROUGH OCTOBER, 2014

Revenue	Actual YTD	Prior YTD Actual	Difference	2015 Budget	% of Budget YTD	Estimated Year End Actuals	% of Budget
Service Fees	\$ 1,861,915	\$ 1,809,938	\$ 51,977	\$ 5,998,000	31.0%	\$ 5,938,020	99%
Sales Tax*	\$ 1,235,444	\$ 1,329,970	\$ (94,526)	\$ 3,615,000	34.2%	\$ 3,723,450	103%
Capacity Fees	\$ 136,568	\$ 128,352	\$ 8,216	\$ 256,000	53.3%	\$ 268,800	105%
Other Revenue	\$ 28,137	\$ 49,140	\$ (21,003)	\$ 192,916	14.6%	\$ 192,916	100%
Total Fund Revenue	\$ 3,262,064	\$ 3,317,400	\$ (55,336)	\$ 10,061,916	32.4%	\$ 10,123,186	101%
Expenses							
Administration							
Debt Service (Interest and Principal)**	\$ 1,743,599	\$ 2,115	\$ 1,741,484	\$ 5,171,583	33.7%	\$ 5,236,583	101%
Wages and Benefits	\$ 224,667	\$ 216,324	\$ 8,343	\$ 687,026	32.7%	\$ 687,026	100%
Purchased goods and services	\$ 109,236	\$ 89,230	\$ 20,006	\$ 405,149	27.0%	\$ 405,149	100%
Total Administration	\$ 2,077,502	\$ 307,669	\$ 1,769,833	\$ 6,263,758	33.2%	\$ 6,328,758	101%
Wastewater Capital							
Wages and Benefits	\$ 40,762	\$ 34,309	\$ 6,453	\$ 126,141	32.3%	\$ 126,141	100%
Capital	\$ 75,049	\$ 369,894	\$ (294,845)	\$ 4,351,725	1.7%	\$ 4,351,725	100%
Total Capital	\$ 115,811	\$ 404,203	\$ (288,392)	\$ 4,477,866	2.6%	\$ 4,477,866	100%
Wastewater Treatment Plant							
Wages and Benefits	\$ 214,224	\$ 199,255	\$ 14,969	\$ 656,853	32.6%	\$ 656,853	100%
Purchased goods and services	\$ 68,258	\$ 46,535	\$ 21,723	\$ 510,629	13.4%	\$ 510,629	100%
Maintenance	\$ 98,676	\$ 120,858	\$ (22,182)	\$ 1,018,425	9.7%	\$ 953,425	94%
Utilities	\$ 134,820	\$ 116,339	\$ 18,481	\$ 531,109	25.4%	\$ 531,109	100%
Total Operating	\$ 515,978	\$ 482,987	\$ 32,991	\$ 2,717,016	19.0%	\$ 2,652,016	98%
Total Wastewater Fund Expense Budget	\$ 2,709,291	\$ 1,194,859	\$ 1,514,432	\$ 13,458,640	20.1%	\$ 13,458,640	100%
Net Change to Fund Balance	\$ 552,773	\$ 2,122,541	\$ (1,569,768)	\$ (3,396,724)	-16.3%	\$ (3,335,454)	98%

*Sales tax allocation reduced from 35% of total to 30% in FY 2015.

** Debt Service recognized monthly in FY 2015 instead of when paid as in 2014.

Transfers between funds excluded from this report.

ATTACHMENT F
 ALL FUNDS EXPENDITURE AND FUND BALANCE SUMMARY
 YEAR-TO-DATE THROUGH OCTOBER, 2014

Description	Budget	YTD Actual	% of Budget	Estimated Year End Expenditures	% of Budget	Fund Balance 07/01/2014	Revenues Over Expenditures YTD	Projected Fund Balance 10/31/2014
<u>General Fund</u>	\$ 14,829,308	\$ 4,996,582	34%	\$ 14,829,308	100%	\$ 16,707,336	\$ 70,837	\$ 16,778,173
<u>Streets Fund</u>	\$ 1,275,140	\$ 131,830	10%	\$ 1,275,140	100%	\$ -	\$ 146,668	\$ 146,668
<u>Grants Fund</u>	\$ 579,705	\$ 42,497	7%	\$ 579,705	100%	\$ 126,847	\$ 85,847	\$ 212,694
<u>Development Impact Fees Fund</u>	\$ 2,474,092	\$ 12,080	0%	\$ 2,474,092	100%	\$ 3,055,871	\$ 117,983	\$ 3,173,854
<u>Capital Fund</u>	\$ 5,692,269	\$ 1,389,376	24%	\$ 5,692,269	100%	\$ 3,441,932	\$ (1,299,210)	\$ 2,142,722
<u>Art in Public Places Fund</u>	\$ 76,000	\$ -	0%	\$ 76,000	100%	\$ 66,607	\$ 11	\$ 66,618
<u>Wastewater Enterprise Fund</u>	\$ 13,458,640	\$ 2,709,291	20%	\$ 13,458,640	100%	\$ 18,263,550	\$ 552,773	\$ 18,816,323
Total Expenditures - All Funds	\$ 38,385,154	\$ 9,281,656	24%	\$ 38,385,154	100.0%	\$ 41,662,143	\$ (325,091)	\$ 41,337,052

Transfers between funds excluded from this report.