

# Memorandum



Municipal Budget Office

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Date: February 15, 2017

To: Mayor and Councilmembers

From: Cecilia Robles, Municipal Budget Director (480-350-8881)

Through: Ken Jones, Deputy City Manager, CFO (480-350-8504)

Subject: Quarterly Financial Report for FY 2016-17 Q2

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Attached is the Quarterly Financial Report for the second quarter of Fiscal Year 2016-17, the quarter ending December 31, 2016. We have included a quick-reference Table of Contents on the following page, which will allow you to quickly navigate to areas of interest by clicking on titles or page numbers. The small Tempe logo on every page will return you to the Table of Contents. The report can also be found on the Municipal Budget Office's Internet page.

Expenditures within funds and departments for the first half of the fiscal year appear higher than expected throughout the report due to 14 of 26 pay periods occurring in the first six months. This anomaly causes the performance of several departments to be reflected as "watch" or "negative", which is explained in the summaries.

Please let me know if you have questions about the information contained in this report.

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## Quarterly Financial Performance Report Through Second Quarter Ended December 31, 2016

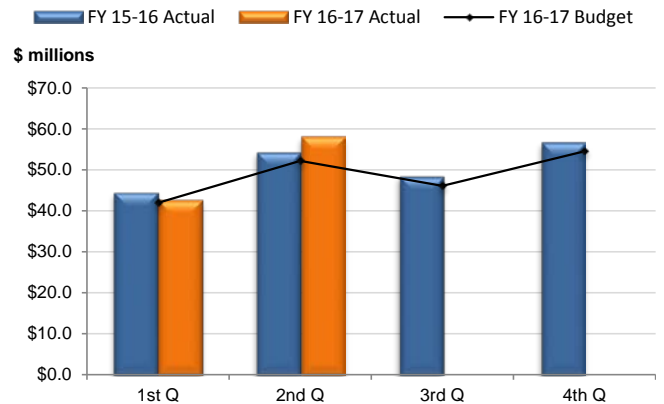
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### Performance Ratings Key

- Positive** = A positive variance, or a negative variance of less than 2%, which shows the category is performing close to historical trends.
- Watch** = A negative variance between 2-5%, compared to historical trends.
- Negative** = A negative variance of greater than 5%, compared to historical trends.



		<b>FY 16-17 Adopted Budget</b>	<b>FY 16-17 Actual Revenue</b>	<b>% of Budget Collected</b>	<b>% of Budget Hist</b>
1st Q	Jul-Sep 16	\$ 41,907,494	\$ 42,694,557	21.9%	21.5%
2nd Q	Oct-Dec 16	52,156,856	58,052,495	29.8%	26.8%
3rd Q	Jan-Mar 17	46,050,760			
4th Q	Apr-Jun 17	54,525,482			
<b>Total</b>		<b>\$ 194,640,591</b>	<b>\$ 100,747,052</b>	<b>51.8%</b>	<b>48.3%</b>
Variance from Budget			\$ 6,682,702	3.5%	



**Positive**

Through the second quarter of FY 2016-17, General Fund revenue is 51.8% of budget, compared with a historical percentage of 48.3%. In terms of budget-to-actual variance, total collections are above the anticipated revenue target for the second quarter. The scope of budget-to-actual variance for each category can be seen in the table and graph at the bottom-right corner of this page. Quarterly collection detail by category can be found on pages 2 through 6 of this report.



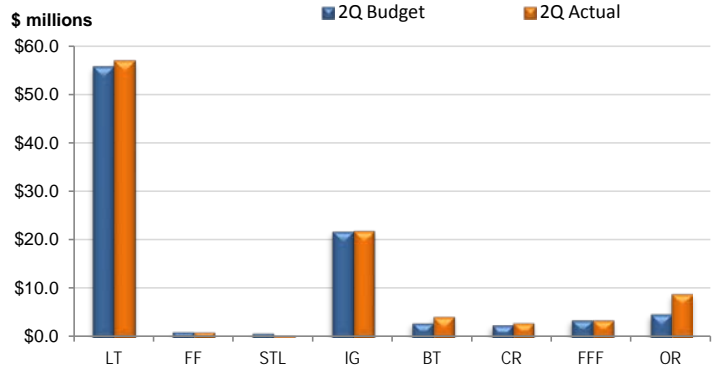
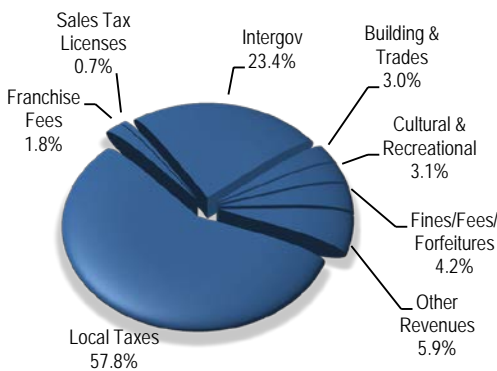
**General Fund Revenue by Category**

<b>Revenue Categories</b>	<b>FY 16-17 Annual Budget</b>	<b>% of Annual Budget</b>
Local Taxes	\$ 112,458,939	57.8%
Franchise Fees	3,511,358	1.8%
Sales Tax Licenses	1,458,000	0.7%
Intergovernmental	45,489,227	23.4%
Building & Trades	5,875,500	3.0%
Cultural & Recreational	6,064,584	3.1%
Fines/Fees/Forfeitures	8,203,068	4.2%
Other Revenues	11,579,915	5.9%
<b>Total</b>	<b>\$ 194,640,591</b>	

**Cumulative Revenue through 2Q 2016-2017**

	<b>2Q Budget Target</b>	<b>2Q Actual Revenue</b>	<b>% of Budget Target</b>
Local Taxes (LT)	\$ 55,895,339	\$ 57,057,643	102%
Franchise Fees (FF)	1,183,845	1,152,245	97%
Sales Tax Licenses (STL)	980,822	369,451	38%
Intergovernmental (IG)	21,872,057	22,046,619	101%
Building & Trades (BT)	3,054,607	4,337,198	142%
Cultural & Recreational (CR)	2,567,967	3,090,791	120%
Fines/Fees/Forfeitures (FFF)	3,670,016	3,648,086	99%
Other Revenues (OR)	4,839,697	9,045,021	187%
<b>Total</b>	<b>\$ 94,064,350</b>	<b>\$ 100,747,052</b>	<b>107%</b>

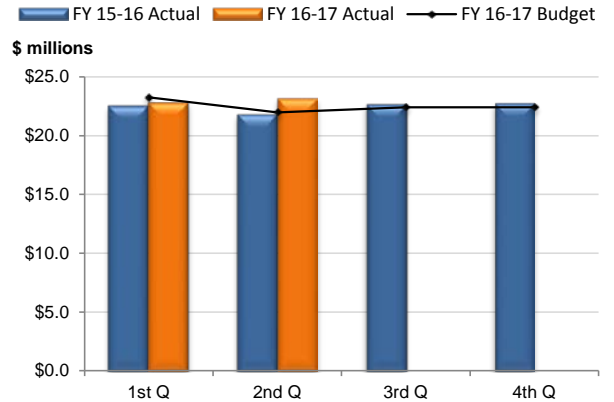
**FY 16-17 Budget**





**Sales Tax**

		FY 16-17 Adopted Budget	FY 16-17 Actual Revenue	% of Budget Collected	% of Budget Hist
1st Q	Jul-Sep 16	\$ 23,253,976	\$ 22,847,052	25.4%	25.8%
2nd Q	Oct-Dec 16	21,990,495	23,196,197	25.8%	24.4%
3rd Q	Jan-Mar 17	22,411,252			
4th Q	Apr-Jun 17	22,423,889			
<b>Total</b>		<b>\$ 90,079,612</b>	<b>\$ 46,043,249</b>	<b>51.1%</b>	<b>50.2%</b>
Variance from Budget			\$ 798,778	0.9%	



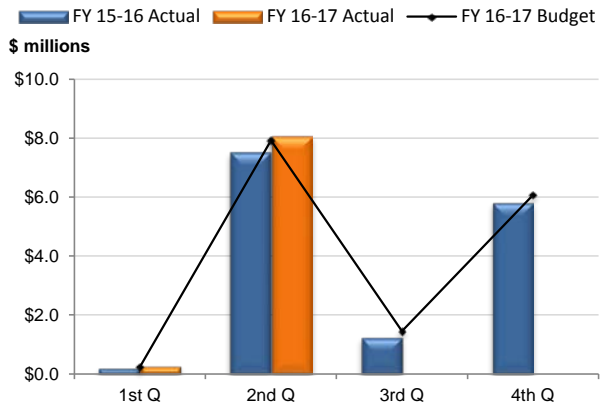
**Positive**

City Sales Taxes are generated by a 1.8% levy on sales transactions in the city. Of the total 1.8% rate, 1.2% is deposited in the General Fund, 0.5% is dedicated for Transit purposes, and the remaining 0.1% is deposited in the Performing Arts Fund. The amount deposited in the General Fund is depicted in the table and graph above. This revenue source contributes 46.3% of the General Fund budget in FY 2016-17 making it the City's largest revenue source. Through the second quarter of FY 2016-17, Sales Tax collections are 51.1% of budget, which is above the historical average of 50.2%. In terms of budget-to-actual variance, collections are 0.9% above the budgeted value.



**Property Tax**

		FY 16-17 Adopted Budget	FY 16-17 Actual Revenue	% of Budget Collected	% of Budget Hist
1st Q	Jul-Sep 16	\$ 244,740	\$ 287,745	1.8%	1.6%
2nd Q	Oct-Dec 16	7,927,516	8,085,863	51.5%	50.5%
3rd Q	Jan-Mar 17	1,449,466			
4th Q	Apr-Jun 17	6,068,518			
<b>Total</b>		<b>\$ 15,690,240</b>	<b>\$ 8,373,608</b>	<b>53.4%</b>	<b>52.1%</b>
Variance from Budget			\$ 201,352	1.3%	



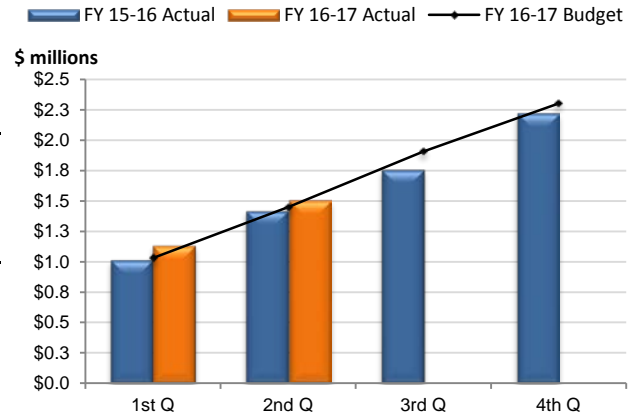
**Positive**

Property Tax revenue in the General Fund is generated by a \$0.94 charge per \$100 of the primary assessed valuation of real and personal property. In FY 2016-17, Property Taxes contribute 8.1% of budgeted General Fund revenue. Through the second quarter of FY 2016-17, Property Tax collections are 53.4% of budget, which is consistent with the historical average of 52.1%.



**Bed Tax**

		FY 16-17 Adopted Budget	FY 16-17 Actual Revenue	% of Budget Collected	% of Budget Hist
1st Q	Jul-Sep 16	\$ 1,029,758	\$ 1,135,013	17.0%	15.4%
2nd Q	Oct-Dec 16	1,448,854	1,505,773	22.5%	21.7%
3rd Q	Jan-Mar 17	1,907,459			
4th Q	Apr-Jun 17	2,303,016			
<b>Total</b>		<b>\$ 6,689,087</b>	<b>\$ 2,640,786</b>	<b>39.5%</b>	<b>37.1%</b>
Variance from Budget			\$ 162,173	2.4%	



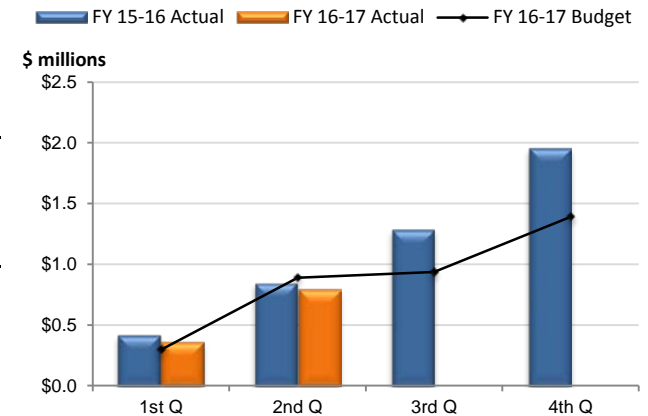
**Positive**

The Transient Lodging Tax, or Bed Tax is a 5.0% levy on hotel and motel sales that contributes approximately 3.4% of budgeted General Fund revenue in FY 2016-17. Bed Tax collections through the second quarter of FY 2016-17 are 39.5% of budget, approximately 2.4% above the historical average. In terms of budget-to-actual variance, collections are \$162,173 above the budgeted value.



**Franchise Fees**

		FY 16-17 Adopted Budget	FY 16-17 Actual Revenue	% of Budget Collected	% of Budget Hist
1st Q	Jul-Sep 16	\$ 295,277	\$ 362,165	10.3%	8.4%
2nd Q	Oct-Dec 16	888,568	790,080	22.5%	25.3%
3rd Q	Jan-Mar 17	936,359			
4th Q	Apr-Jun 17	1,391,154			
<b>Total</b>		<b>\$ 3,511,358</b>	<b>\$ 1,152,245</b>	<b>32.8%</b>	<b>33.7%</b>
Variance from Budget			\$ (31,600)	-0.9%	



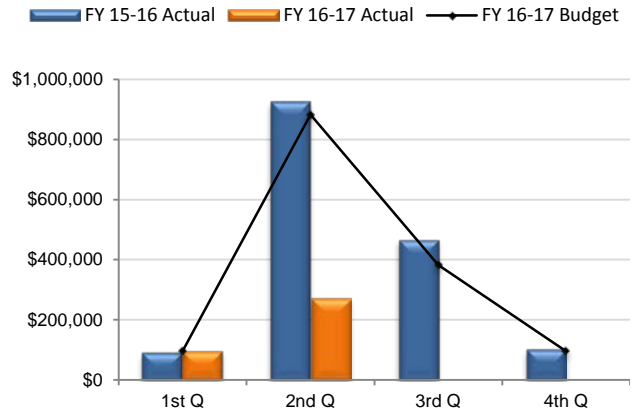
**Positive**

Franchise Fee revenues are collected based on specific agreements with service providers in the city, including Arizona Public Service (2.0% of revenue), Cox Communications (5.0% of gross revenue), Southwest Gas (2.0% of gross revenue), and a number of telecommunications service providers. These fees contribute 2.1% of annual General Fund revenue. Franchise Fee payments are 32.8% of the budgeted amount through the second quarter of FY 2016-17, compared to 33.7% historically. In terms of budget-to-actual variance, collections are \$31,600 below the budgeted expectation.



**Sales Tax Licenses**

		FY 16-17 Adopted Budget	FY 16-17 Actual Revenue	% of Budget Collected	% of Budget Hist
1st Q	Jul-Sep 16	\$ 97,428	\$ 98,076	6.7%	6.7%
2nd Q	Oct-Dec 16	883,394	271,375	18.6%	60.6%
3rd Q	Jan-Mar 17	382,367			
4th Q	Apr-Jun 17	94,811			
<b>Total</b>		<b>\$ 1,458,000</b>	<b>\$ 369,451</b>	<b>25.3%</b>	<b>67.3%</b>
Variance from Budget			\$ (611,371)	-42.0%	



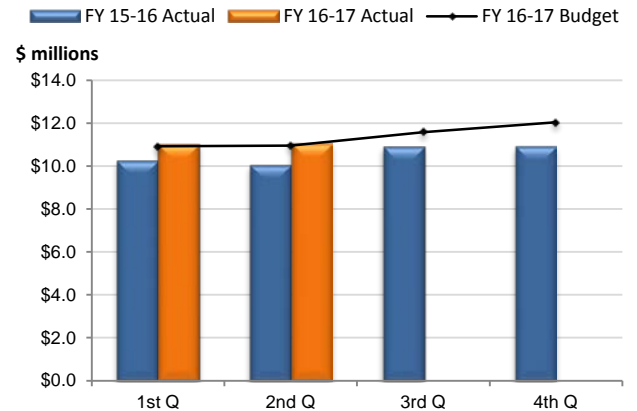
**Negative**

The City requires taxable business activities to be licensed, with the annual licensing fee amount varying by business type. Starting in 2017, the Arizona Department of Revenue began collecting the fees for Tempe's Sales Tax Licenses. Due to the change, the reporting of the revenue by the State has been delayed, which causes the Sales Tax License revenue to appear low. Sales Tax License collections through the second quarter of FY 2016-17 were 25.3% of budget, compared to the historical average of 67.3%. Sales Tax Licenses contribute 0.7% of annual General Fund revenue. In terms of budget-to-actual variance, collections are 42.0%, or \$611,371 below the budgeted projection. This category will be under enhanced scrutiny until the reporting issue is resolved.



**Intergovernmental**

		FY 16-17 Adopted Budget	FY 16-17 Actual Revenue	% of Budget Collected	% of Budget Hist
1st Q	Jul-Sep 16	\$ 10,924,880	\$ 11,004,057	24.2%	24.0%
2nd Q	Oct-Dec 16	10,947,177	11,042,562	24.3%	24.1%
3rd Q	Jan-Mar 17	11,578,252			
4th Q	Apr-Jun 17	12,038,918			
<b>Total</b>		<b>\$ 45,489,227</b>	<b>\$ 22,046,619</b>	<b>48.5%</b>	<b>48.1%</b>
Variance from Budget			\$ 174,562	0.4%	



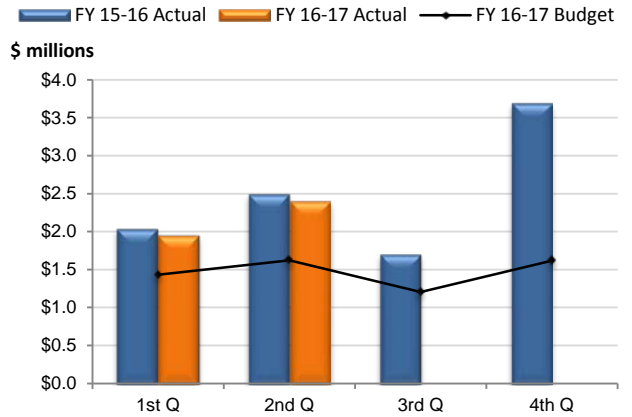
**Positive**

Intergovernmental Revenue includes distributions of State Income Taxes, State Sales Taxes, and State Vehicle License Taxes. These revenues are distributed based on Tempe's share of the state urban population as determined by the U.S. Census. In total, these revenues constitute 23.4% of budgeted revenue for FY 2016-17, making this the second largest General Fund revenue source after Sales Taxes. Through the second quarter of FY 2016-17, actual collections are 48.5% of budget, compared to a historical average of 48.1%. In terms of budget-to-actual variance, collections are 0.4%, or \$174,562 above the budgeted projection.



**Building & Trades**

		FY 16-17 Adopted Budget	FY 16-17 Actual Revenue	% of Budget Collected	% of Budget Hist
1st Q	Jul-Sep 16	\$ 1,431,468	\$ 1,948,167	33.2%	24.4%
2nd Q	Oct-Dec 16	1,623,139	2,389,030	40.7%	27.6%
3rd Q	Jan-Mar 17	1,202,166			
4th Q	Apr-Jun 17	1,618,727			
<b>Total</b>		<b>\$ 5,875,500</b>	<b>\$ 4,337,198</b>	<b>73.8%</b>	<b>52.0%</b>
Variance from Budget			\$ 1,282,591	21.8%	



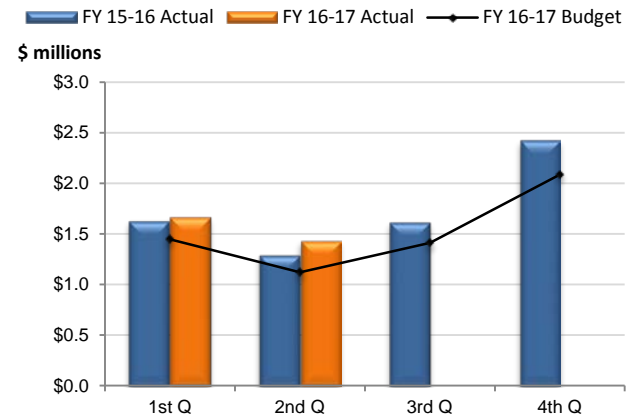
**Positive**

Building and Trade revenues consist of Building Permit Fees, Plan Check Fees, and other miscellaneous engineering and permitting fees generated by development. These fees are charged to recover a portion of the cost of regulating development. Through the second quarter of FY 2016-17, actual collections are 73.8% of budget, compared to a historical average of 52.0%. Thus far, in terms of budget-to-actual variance, collections are 21.8% above the budgeted estimate. The exceptional performance through the second quarter is due, in large part, to the plan check fees for the Marina Heights project on Rio Salado. This project is expected to boost this revenue stream throughout FY 2016-17.



**Cultural & Recreational**

		FY 16-17 Adopted Budget	FY 16-17 Actual Revenue	% of Budget Collected	% of Budget Hist
1st Q	Jul-Sep 16	\$ 1,446,205	\$ 1,659,770	27.4%	23.8%
2nd Q	Oct-Dec 16	1,121,762	1,431,021	23.6%	18.5%
3rd Q	Jan-Mar 17	1,410,752			
4th Q	Apr-Jun 17	2,085,865			
<b>Total</b>		<b>\$ 6,064,584</b>	<b>\$ 3,090,791</b>	<b>51.0%</b>	<b>42.3%</b>
Variance from Budget			\$ 522,824	8.7%	



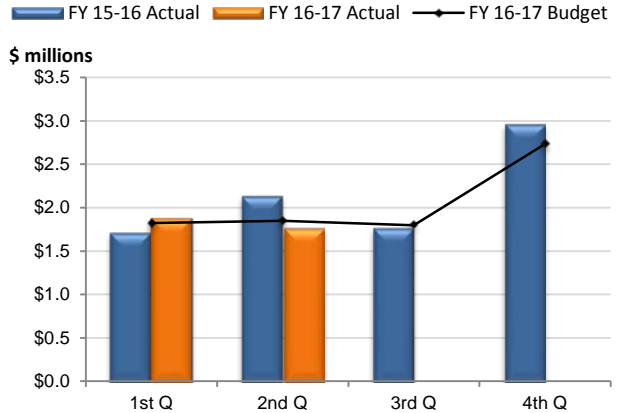
**Positive**

Cultural and Recreational revenues include fees and charges to recover a portion of the costs of providing the City's cultural and recreational programs. The majority of this revenue source is generated from fees charged for the City's Kid Zone program. In total, Cultural and Recreational fees represent 3.1% of total budgeted General Fund revenue for FY 2016-17. Through the second quarter of FY 2016-17, Cultural and Recreational fee collections are 51.0% of budget, compared to the historical average of 42.3%, for a total variance of 8.7%. In terms of budget-to-actual variance, collections are \$522,824 above the budgeted estimate.



**Fines, Fees, Forfeitures**

		FY 16-17 Adopted Budget	FY 16-17 Actual Revenue	% of Budget Collected	% of Budget Hist
1st Q	Jul-Sep 16	\$ 1,821,214	\$ 1,880,521	22.9%	22.2%
2nd Q	Oct-Dec 16	1,848,801	1,767,564	21.5%	22.5%
3rd Q	Jan-Mar 17	1,798,519			
4th Q	Apr-Jun 17	2,734,533			
<b>Total</b>		<b>\$ 8,203,068</b>	<b>\$ 3,648,086</b>	<b>44.5%</b>	<b>44.7%</b>
Variance from Budget			\$ (21,930)	-0.2%	



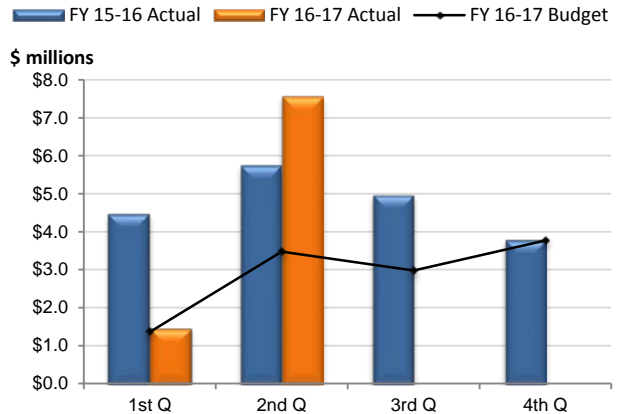
**Positive**

Fines, Fees, and Forfeiture revenue derives from fines and other payments related to violations of state laws and local ordinances, including parking, traffic, and criminal enforcement activities. In total, Fines, Fees, and Forfeitures represent 4.2% of total budgeted General Fund revenue for FY 2016-17. Through the second quarter of FY 2016-17, 44.5% of budgeted revenues have been collected, compared to a historical average of 44.7%. In terms of budget-to-actual variance, this category is 0.2% below the expected value through the second quarter.



**Other Revenues**

		FY 16-17 Adopted Budget	FY 16-17 Actual Revenue	% of Budget Collected	% of Budget Hist
1st Q	Jul-Sep 16	\$ 1,362,548	\$ 1,471,990	12.7%	11.8%
2nd Q	Oct-Dec 16	3,477,149	7,573,030	65.4%	30.0%
3rd Q	Jan-Mar 17	2,974,168			
4th Q	Apr-Jun 17	3,766,050			
<b>Total</b>		<b>\$ 11,579,915</b>	<b>\$ 9,045,021</b>	<b>78.1%</b>	<b>41.8%</b>
Variance from Budget			\$ 4,205,323	36.3%	



**Positive**

Other Revenues include collections from a variety of sources not otherwise accounted for in the major revenue categories. Primary components of Other Revenues are Lands Sales, Interest Earnings, Land and Building Facility Rental, and SRP In-Lieu Payments. Through the second quarter of the fiscal year, collections of Other Revenue are 78.1% of the FY 2016-17 budget, compared to a historical tracking percentage of 41.8%. This is due to a \$3.8 million in unbudgeted land sales.





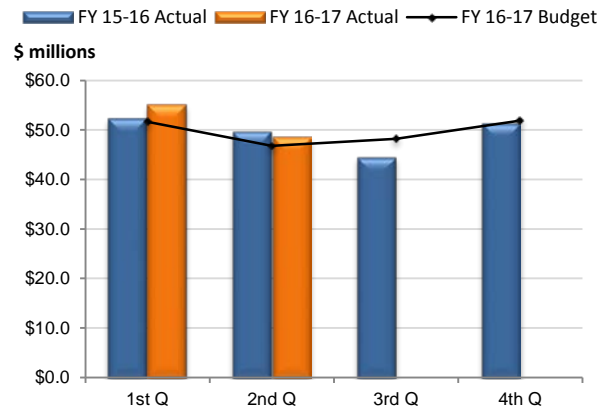
## General Fund Expenditures Quarterly Analysis

		FY 16-17 Adopted Budget*	FY 16-17 Actual Exp	% of Budget Exp	% of Budget Hist
1st Q	Jul-Sep 16	\$ 51,635,013	\$ 55,226,009	27.8%	26.0%
2nd Q	Oct-Dec 16	46,784,953	48,743,233	24.5%	23.6%
3rd Q	Jan-Mar 17	48,232,293			
4th Q	Apr-Jun 17	51,918,682			
<b>Total</b>		<b>\$ 198,570,940</b>	<b>\$ 103,969,242</b>	<b>52.4%</b>	<b>49.6%</b>

Variance from Budget \$ (5,549,276) -2.8%

\*Budget excludes \$5.0 million contingency appropriation

**Watch**

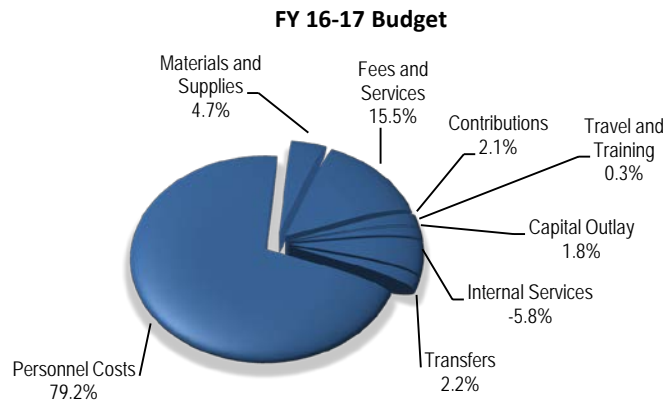


Through the second quarter of FY 2016-17, General Fund expenditures are 52.4% of budget, compared with a historical percentage of 49.6%. In terms of budget-to-actual variance, General Fund expenditures are 2.8% above budget through the second quarter. This is due to the first and second quarters having seven paychecks each, for a total of 14 paychecks over the six month period ending December 31, 2016. Normally, there are only 13 paychecks in a six month period. The cost of an additional paycheck is approximately \$6.0 million. Without this additional paycheck, the General Fund expenditures would be rated with a "Positive" status. Departmental quarterly expenditure tracking data can be found on pages 8 through 15 of this report.



## General Fund Expenditures By Category

Categories	FY 16-17 Adopted Budget	% of Adopted Budget
Personnel Costs	\$ 157,208,729	79.2%
Materials and Supplies	9,383,061	4.7%
Fees and Services	30,769,736	15.5%
Contributions	4,123,634	2.1%
Travel and Training	597,523	0.3%
Capital Outlay	3,551,736	1.8%
Internal Services	(11,513,779)	-5.8%
Transfers	4,450,300	2.2%
<b>Total</b>	<b>\$ 198,570,940</b>	



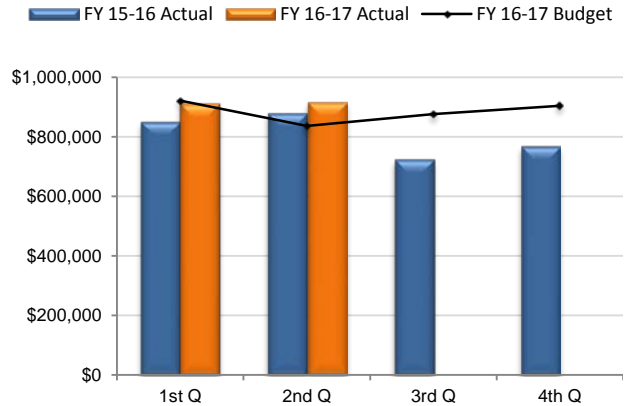


**City Attorney's Office**

		FY 16-17 Adopted Budget*	FY 16-17 Actual Expend*	% of Budget Spent	% of Budget Hist
1st Q	Jul-Sep 16	\$ 921,160	\$ 911,407	25.8%	26.0%
2nd Q	Oct-Dec 16	836,448	914,900	25.9%	23.6%
3rd Q	Jan-Mar 17	876,675			
4th Q	Apr-Jun 17	904,552			
<b>Total</b>		<b>\$ 3,538,835</b>	<b>\$ 1,826,308</b>	<b>51.6%</b>	<b>49.6%</b>

\*amounts are net of internal service charges, and exclude transfers

Variance from Budget \$ (68,699) -2.0%



**Positive**

The City Attorney's Office spent 51.6% of its FY 2016-17 budget through the second quarter, compared to a historical average of 49.6%. In terms of budget-to-actual variance, expenditures are 2.0% higher than budgeted through the second quarter.

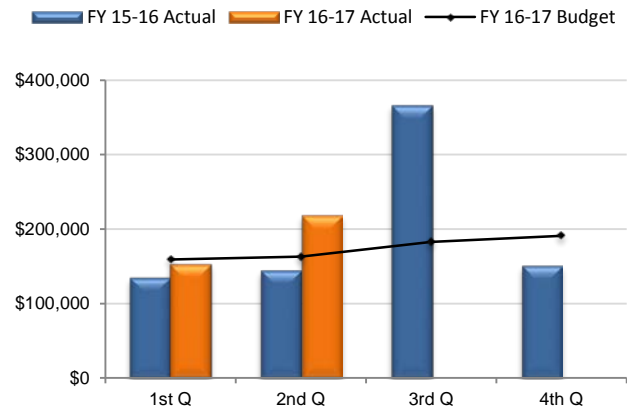


**City Clerk's Office**

		FY 16-17 Adopted Budget*	FY 16-17 Actual Expend*	% of Budget Spent	% of Budget Hist
1st Q	Jul-Sep 16	\$ 159,017	\$ 153,244	22.0%	22.8%
2nd Q	Oct-Dec 16	163,178	218,132	31.3%	23.4%
3rd Q	Jan-Mar 17	182,876			
4th Q	Apr-Jun 17	191,153			
<b>Total</b>		<b>\$ 696,224</b>	<b>\$ 371,376</b>	<b>53.3%</b>	<b>46.2%</b>

\*amounts are net of internal service charges, and exclude transfers

Variance from Budget \$ (49,181) -7.1%



**Negative**

The City Clerk's Office has spent 53.3.0% of its FY 2016-17 budget through the second quarter, compared to a historical average of 46.2%. In terms of variance from the budget through the second quarter, expenditures are \$49,181 or 7.1% above the expected amount. This is due to 14 paychecks being paid during the six month period ending December 31, 2016. Normally, there are only 13 paychecks in a six month period. The cost of an additional paycheck is approximately \$19 thousand for this department. In addition, balloting costs associated with the election held in November 2016 caused costs to be higher than usual in the second quarter. After the second quarter, expenditures are expected to stabilize, then come in within budget for the year.

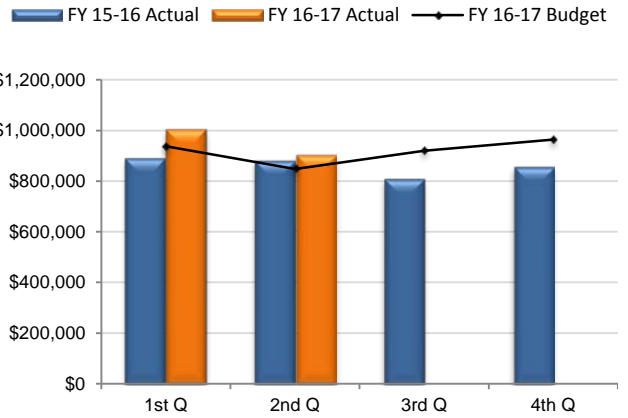


**City Court**

		FY 16-17 Adopted Budget*	FY 16-17 Actual Expend*	% of Budget Exp	% of Budget Hist
1st Q	Jul-Sep 16	\$ 937,712	\$ 1,003,110	27.3%	25.5%
2nd Q	Oct-Dec 16	848,333	903,309	24.6%	23.1%
3rd Q	Jan-Mar 17	920,322			
4th Q	Apr-Jun 17	963,873			
<b>Total</b>		<b>\$ 3,670,240</b>	<b>\$ 1,906,419</b>	<b>51.9%</b>	<b>48.6%</b>

\*amounts are net of internal service charges, and exclude transfers

Variance from Budget \$ (120,375) -3.3%



**Watch**

The City Court has spent 51.9% of its FY 2016-17 budget through the second quarter compared to the historical average of 48.6%. In terms of variance from the budget through the second quarter, expenditures are \$120,375 or 3.3% above the expected amount. This is due to 14 paychecks being paid during the six month period ending December 31, 2016. Normally, there are only 13 paychecks in a six month period. The cost of an additional paycheck is approximately \$118 thousand for this department. Without this additional paycheck, the department's expenditures would be rated with a "Positive" status.

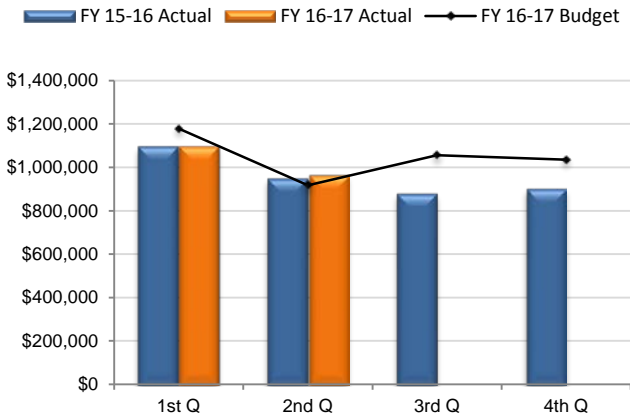


**City Manager's Office**

		FY 16-17 Adopted Budget*	FY 16-17 Actual Expend*	% of Budget Exp	% of Budget Hist
1st Q	Jul-Sep 16	\$ 1,177,968	\$ 1,095,080	26.2%	28.1%
2nd Q	Oct-Dec 16	917,912	963,555	23.0%	21.9%
3rd Q	Jan-Mar 17	1,056,084			
4th Q	Apr-Jun 17	1,034,932			
<b>Total</b>		<b>\$ 4,186,896</b>	<b>\$ 2,058,635</b>	<b>49.2%</b>	<b>50.0%</b>

\*amounts are net of internal service charges, and exclude transfers

Variance from Budget \$ 37,245 0.8%



**Positive**

The City Manager's Office has spent 49.2% of its FY 2016-17 budget through the second quarter, compared to the historical average of 50.0%. In terms of variance from the budget in the second quarter, expenditures are \$37,245 or 0.8% below the expected amount.



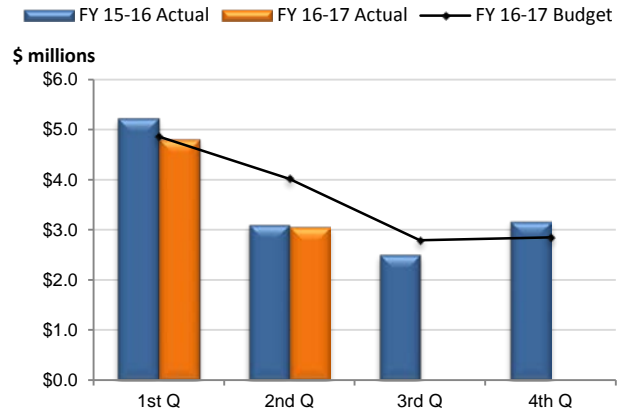
**Community Development**

		FY 16-17 Adopted Budget*	FY 16-17 Actual Exp*	% of Budget Exp	% of Budget Hist
1st Q	Jul-Sep 16	\$ 4,858,242	\$ 4,808,875	33.1%	33.5%
2nd Q	Oct-Dec 16	4,016,867	3,065,120	21.1%	27.7%
3rd Q	Jan-Mar 17	2,790,322			
4th Q	Apr-Jun 17	2,845,145			
<b>Total</b>		<b>\$ 14,510,576</b>	<b>\$ 7,873,995</b>	<b>54.3%</b>	<b>61.2%</b>

\*amounts are net of internal service charges, and exclude transfers

Variance from Budget \$ 1,001,114 6.9%

**Positive**



The Community Development Department has spent 54.3% of its FY 2016-17 budget through the second quarter, compared to the historical value of 61.2%. In terms of variance from the budget, expenditures are \$1,001,114 or 6.9% below the expected amount.



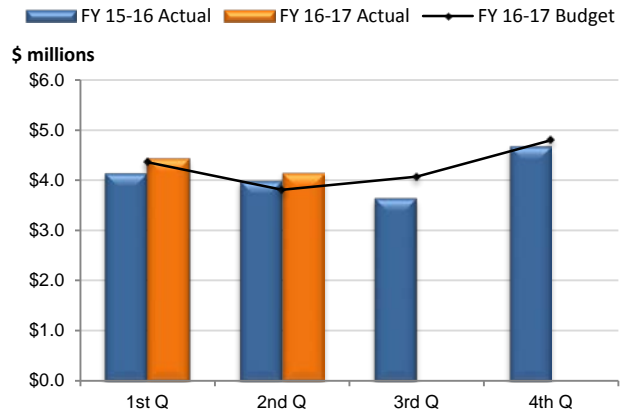
**Community Services**

		FY 16-17 Adopted Budget*	FY 16-17 Actual Exp*	% of Budget Exp	% of Budget Hist
1st Q	Jul-Sep 16	\$ 4,360,655	\$ 4,439,873	26.1%	25.6%
2nd Q	Oct-Dec 16	3,807,583	4,152,596	24.4%	22.3%
3rd Q	Jan-Mar 17	4,072,494			
4th Q	Apr-Jun 17	4,799,516			
<b>Total</b>		<b>\$ 17,040,249</b>	<b>\$ 8,592,469</b>	<b>50.4%</b>	<b>47.9%</b>

\*amounts are net of internal service charges, and exclude transfers

Variance from Budget \$ (424,231) -2.5%

**Watch**



The Community Services Department spent 50.4% of its FY 2016-17 budget through the second quarter, compared to the historical average of 47.9%. In terms of variance from the budget in the second quarter, expenditures are \$424,231 or 2.5% above the expected amount. This is due to 14 paychecks being paid during the six month period ending December 31, 2016. Normally, there are only 13 paychecks in a six month period. The cost of an additional paycheck is approximately \$521 thousand for this department. Without this additional paycheck, the department's expenditures would be rated with a "Positive" status.



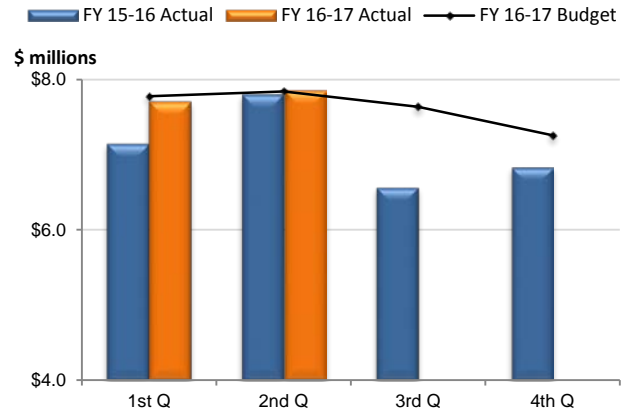
**Fire Medical Rescue**

		FY 16-17 Adopted Budget*	FY 16-17 Actual Exp*	% of Budget Exp	% of Budget Hist
1st Q	Jul-Sep 16	\$ 7,776,568	\$ 7,709,138	25.3%	25.5%
2nd Q	Oct-Dec 16	7,843,211	7,851,427	25.7%	25.7%
3rd Q	Jan-Mar 17	7,635,626			
4th Q	Apr-Jun 17	7,256,754			
<b>Total</b>		<b>\$ 30,512,159</b>	<b>\$ 15,560,565</b>	<b>51.0%</b>	<b>51.2%</b>

\*amounts are net of internal service charges, and exclude transfers

Variance from Budget \$ 59,215 0.2%

**Positive**



The Fire Medical Rescue Department has spent 51.0% of its FY 2016-17 budget through the second quarter, compared with a historical percentage of 51.2%. In terms of variance from the budget through the second quarter, expenditures are \$59,215 or 0.2% below the expected amount.



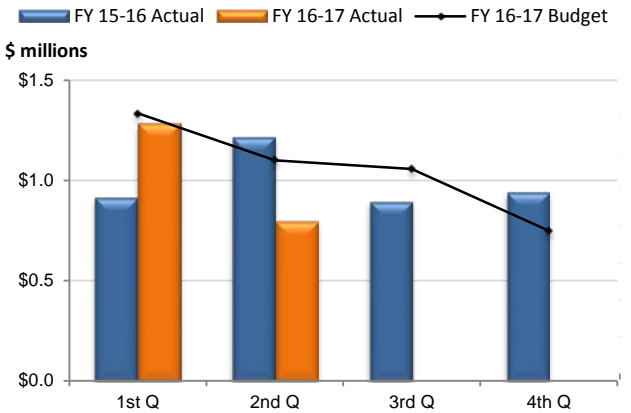
**Human Services**

		FY 16-17 Adopted Budget*	FY 16-17 Actual Exp*	% of Budget Exp	% of Budget Hist
1st Q	Jul-Sep 16	\$ 1,334,895	\$ 1,283,127	30.3%	31.5%
2nd Q	Oct-Dec 16	1,100,568	797,305	18.8%	26.0%
3rd Q	Jan-Mar 17	1,057,017			
4th Q	Apr-Jun 17	748,562			
<b>Total</b>		<b>\$ 4,241,042</b>	<b>\$ 2,080,431</b>	<b>49.1%</b>	<b>57.5%</b>

\*amounts are net of internal service charges, and exclude transfers

Variance from Budget \$ 355,032 8.4%

**Positive**



The Human Services Department, spent 49.1% of its FY 2016-17 budget through the second quarter, compared to a historical average of 57.5%. In terms of variance from the budget in the second quarter, expenditures are \$355,032 or 8.4% below the expected amount.

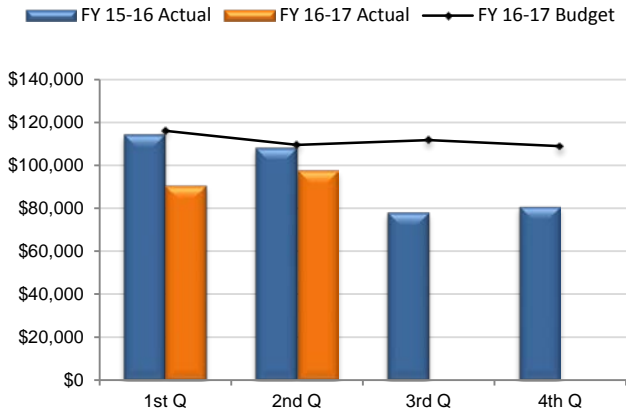


**Internal Audit Office**

		FY 16-17 Adopted Budget*	FY 16-17 Actual Exp*	% of Budget Exp	% of Budget Hist
1st Q	Jul-Sep 16	\$ 116,147	\$ 90,951	20.4%	26.0%
2nd Q	Oct-Dec 16	109,553	97,815	21.9%	24.5%
3rd Q	Jan-Mar 17	111,759			
4th Q	Apr-Jun 17	108,890			
<b>Total</b>		<b>\$ 446,349</b>	<b>\$ 188,766</b>	<b>42.3%</b>	<b>50.5%</b>

\*amounts are net of internal service charges, and exclude transfers

Variance from Budget \$ 36,934 8.2%



**Positive**

The Internal Audit Office has spent 42.3% of its FY 2016-17 budget through the second quarter, compared with a historical average of 50.5%. In terms of variance from the budget through the second quarter, expenditures are \$36,934 or 8.2% below the expected amount.

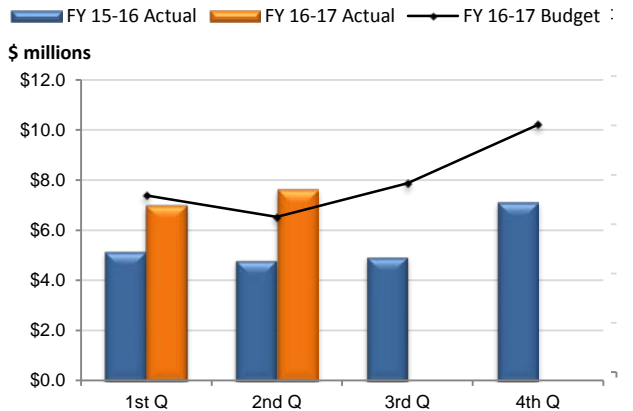


**Internal Services**

		FY 16-17 Adopted Budget*	FY 16-17 Actual Expend*	% of Budget Exp	% of Budget Hist
1st Q	Jul-Sep 16	\$ 7,390,362	\$ 7,029,235	22.0%	23.1%
2nd Q	Oct-Dec 16	6,525,805	7,649,442	23.9%	20.4%
3rd Q	Jan-Mar 17	7,866,896			
4th Q	Apr-Jun 17	10,204,098			
<b>Total</b>		<b>\$ 31,987,162</b>	<b>\$ 14,678,678</b>	<b>45.9%</b>	<b>43.5%</b>

\*amounts are net of internal service charges, and exclude transfers

Variance from Budget \$ (762,511) -2.4%



**Watch**

The Internal Services Department has spent 45.9% of its FY 2016-17 budget through the end of the second quarter, compared to the historical pattern of 43.5% during this period. In terms of variance from the budget in the second quarter, expenditures are \$762,511 or 2.4% above the expected amount. This is due to 14 paychecks being paid during the six month period ending December 31, 2016. Normally, there are only 13 paychecks in a six month period. The cost of an additional paycheck is approximately \$760 thousand for this department. Without this additional paycheck, the department's expenditures would be rated with a "Positive" status.



**Mayor and Council**

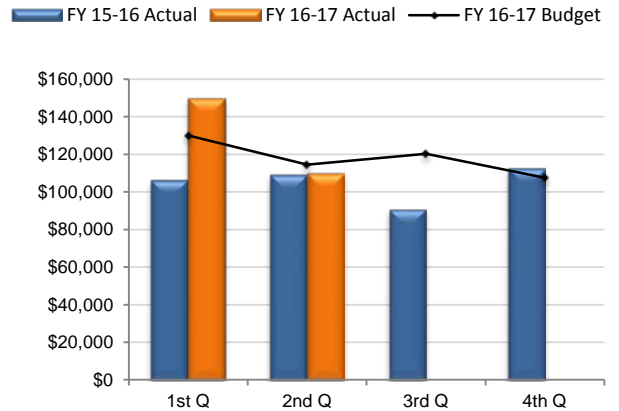
		FY 16-17 Adopted Budget*	FY 16-17 Actual Expend*	% of Budget Exp	% of Budget Hist
1st Q	Jul-Sep 16	\$ 130,031	\$ 150,097	31.8%	27.5%
2nd Q	Oct-Dec 16	114,570	110,333	23.4%	24.3%
3rd Q	Jan-Mar 17	120,220			
4th Q	Apr-Jun 17	107,456			
<b>Total</b>		<b>\$ 472,277</b>	<b>\$ 260,430</b>	<b>55.1%</b>	<b>51.8%</b>

\*amounts are net of internal service charges, and exclude transfers

Variance from Budget \$ (15,829) -3.3%

**Watch**

The Mayor and Council has spent 55.1% of its FY 2016-17 budget through the second quarter, compared with a historical average of 51.8%. In terms of variance from the budget in the second quarter, expenditures are \$15,829 or 3.3% above the expected amount. This is due to 14 paychecks being paid during the six month period ending December 31, 2016. Normally, there are only 13 paychecks in a six month period. The cost of an additional paycheck is approximately \$17 thousand for this department. Without this additional paycheck, the department's expenditures would be rated with a "Positive" status.



**Municipal Budget Office**

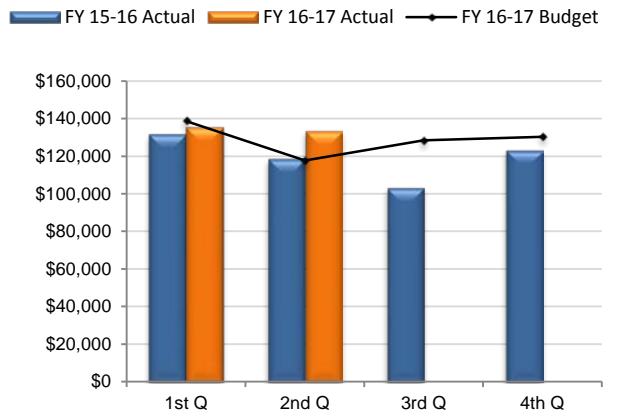
		FY 16-17 Adopted Budget*	FY 16-17 Actual Expend*	% of Budget Exp	% of Budget Hist
1st Q	Jul-Sep 16	\$ 138,654	\$ 135,244	26.3%	26.9%
2nd Q	Oct-Dec 16	117,747	133,326	25.9%	22.9%
3rd Q	Jan-Mar 17	128,410			
4th Q	Apr-Jun 17	130,321			
<b>Total</b>		<b>\$ 515,132</b>	<b>\$ 268,570</b>	<b>52.1%</b>	<b>49.8%</b>

\*amounts are net of internal service charges, and exclude transfers

Variance from Budget \$ (12,169) -2.3%

**Watch**

The Municipal Budget Office has spent 52.1% of its FY 2016-17 budget through the second quarter, compared to a historical average of 49.8%. In terms of variance from the budget through the second quarter, expenditures are \$12,169 or 2.3% below the expected amount. This is due to 14 paychecks being paid during the six month period ending December 31, 2016. Normally, there are only 13 paychecks in a six month period. The cost of an additional paycheck is approximately \$19 thousand for this department. Without this additional paycheck, the department's expenditures would be rated with a "Positive" status.





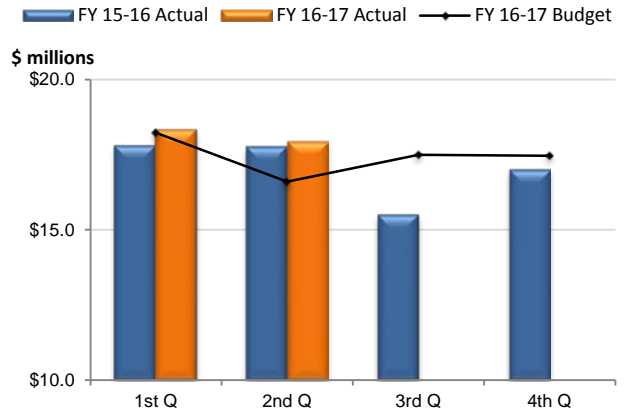
**Police**

		FY 16-17 Adopted Budget*	FY 16-17 Actual Expend*	% of Budget Exp	% of Budget Hist
1st Q	Jul-Sep 16	\$ 18,229,644	\$ 18,354,016	26.3%	26.1%
2nd Q	Oct-Dec 16	16,598,887	17,957,301	25.7%	23.8%
3rd Q	Jan-Mar 17	17,497,001			
4th Q	Apr-Jun 17	17,464,409			
<b>Total</b>		<b>\$ 69,789,941</b>	<b>\$ 36,311,317</b>	<b>52.0%</b>	<b>49.9%</b>

\*amounts are net of internal service charges, and exclude transfers

Variance from Budget \$ (1,482,786) -2.1%

**Watch**



The Police Department has spent 52.0% of its FY 2016-17 budget through the second quarter, compared to a historical average of 49.9%. In terms of variance from the budget through the second quarter, expenditures are \$1,482,786 or 2.1% above the expected amount. This is due to 14 paychecks being paid during the six month period ending December 31, 2016. Normally, there are only 13 paychecks in a six month period. The cost of an additional paycheck is approximately \$2.4 million for this department. Without this additional paycheck, the department's expenditures would be rated with a "Positive" status.



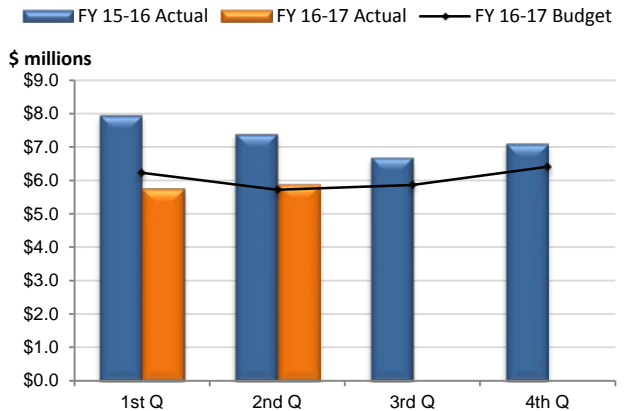
**Public Works**

		FY 16-17 Adopted Budget*	FY 16-17 Actual Expend*	% of Budget Exp	% of Budget Hist
1st Q	Jul-Sep 16	\$ 6,225,459	\$ 5,763,888	23.8%	25.7%
2nd Q	Oct-Dec 16	5,719,323	5,884,252	24.3%	23.6%
3rd Q	Jan-Mar 17	5,867,114			
4th Q	Apr-Jun 17	6,412,442			
<b>Total</b>		<b>\$ 24,224,338</b>	<b>\$ 11,648,139</b>	<b>48.1%</b>	<b>49.3%</b>

\*amounts are net of internal service charges, and exclude transfers

Variance from Budget \$ 296,643 1.2%

**Positive**



The Public Works Department has spent 48.1% of its FY 2016-17 General Fund budget through the second quarter, compared with a historical average of 49.3%. In terms of variance from the budget through the second quarter, expenditures are \$296,643 or 1.2% below the expected amount.





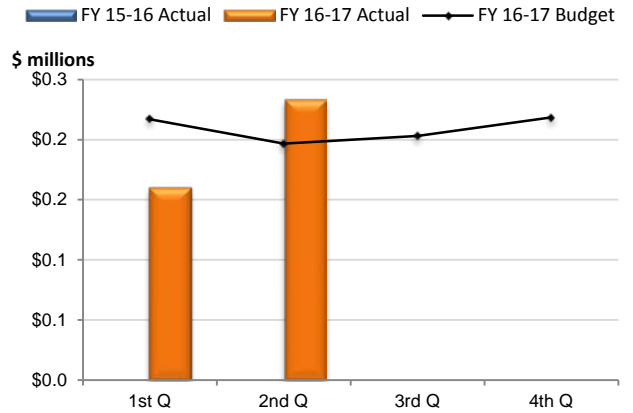
**Strategic Management & Diversity**

		FY 16-17 Adopted Budget*	FY 16-17 Actual Expend*	% of Budget Exp	% of Budget Hist
1st Q	Jul-Sep 16	\$ 216,927	\$ 160,580	19.2%	26.0%
2nd Q	Oct-Dec 16	196,599	233,268	27.9%	23.5%
3rd Q	Jan-Mar 17	203,028			
4th Q	Apr-Jun 17	218,444			
<b>Total</b>		<b>\$ 834,999</b>	<b>\$ 393,848</b>	<b>47.2%</b>	<b>49.5%</b>

\*amounts are net of internal service charges, and exclude transfers

Variance from Budget \$ 19,678 2.3%

**Positive**



The Strategic Management and Diversity Office has spent 47.2% of its FY 2016-17 budget through the second quarter, compared to a historical average of 49.5%. In terms of variance from the budget through the second quarter, expenditures are \$19,678 or 2.3% below the expected amount.



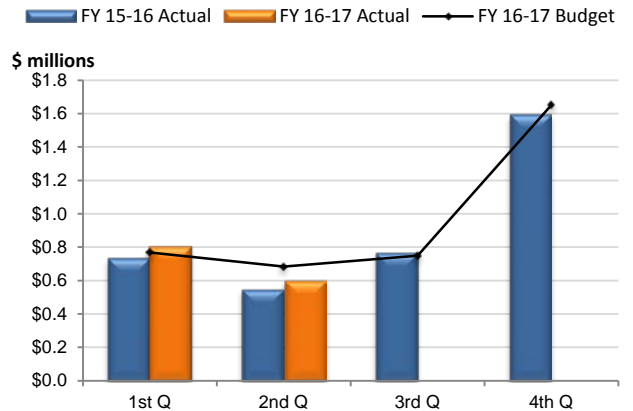
**Non-Departmental**

		FY 16-17 Adopted Budget*	FY 16-17 Actual Expend*	% of Budget Exp	% of Budget Hist
1st Q	Jul-Sep 16	\$ 768,904	\$ 802,413	20.8%	19.9%
2nd Q	Oct-Dec 16	683,832	601,983	15.6%	17.7%
3rd Q	Jan-Mar 17	749,013			
4th Q	Apr-Jun 17	1,652,539			
<b>Total</b>		<b>\$ 3,854,289</b>	<b>\$ 1,404,396</b>	<b>36.4%</b>	<b>37.6%</b>

\*amounts are net of internal service charges, and exclude transfers

Variance from Budget \$ 48,341 1.2%

**Positive**



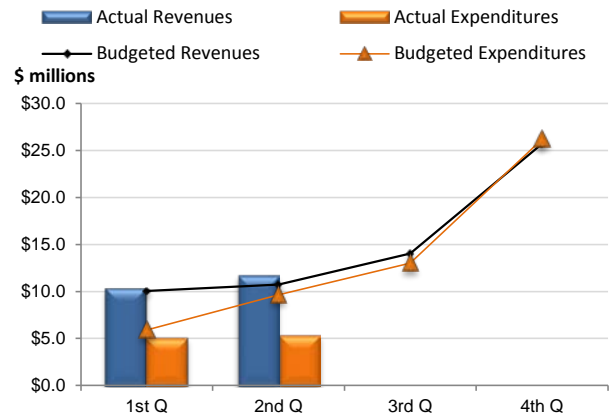
The Non-Departmental category of the budget includes items that do not directly relate to the operations of any one of the City's operating departments. Some examples of such expenditures include the payment of the Tempe Tourism Office's portion of the Bed Tax. Through the second quarter of FY 2016-17, Non-Departmental expenditures are 36.4% of the budget compared to the historical pattern of 37.6%. In terms of variance from the budget in the second quarter, expenditures are tracking \$48,341 or 1.2% below the historical average.



**Transit Fund**

	FY 16-17 Budget	FY 16-17 2Q Actual*	% Budget to Date
<b>Total Revenues</b>	\$ 60,513,753	\$ 22,144,363	36.6%
Operating	\$ 49,967,092	\$ 10,463,683	20.9%
Capital	120,000	15,868	13.2%
Debt Service	4,668,863	4,536	0.1%
<b>Total Expenses</b>	\$ 54,755,955	\$ 10,484,087	19.1%
<b>Net Rev/Exp</b>	\$ 5,757,798	\$ 11,660,276	

\*amounts exclude transfers out and encumbrances



**Positive**

The Transit Fund accounts for the receipt of the Mass Transit Tax, a 0.5% tax on sales. Fund resources are dedicated to transit system planning, design, and operations, community outreach, and debt service. Through the end of the second quarter, there is an operating surplus in the Transit Fund of \$11.7 million. Transit Fund revenue is at 36.6% of budget which is slightly above the historical tracking percentage of 34.3%. Expenditures are 19.1% of budget compared to the recent historical tracking percentage of 28.4%.

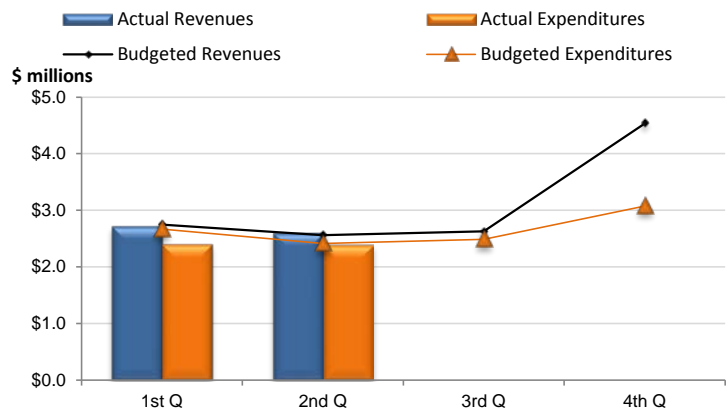


**Highway User Revenue Fund**

	FY 16-17 Budget	FY 16-17 2Q Actual*	% Budget to Date
<b>Revenues</b>	\$ 12,026,602	\$ 5,303,352	44.1%
Transfers In	450,000	-	0.0%
<b>Total Revenues</b>	\$ 12,476,602	\$ 5,303,352	42.5%
Operating	\$ 9,998,392	\$ 4,754,601	47.6%
Capital	644,998	38,277	5.9%
Transfers Out	4,941	4,770	0.0%
<b>Total Expenses</b>	\$ 10,648,331	\$ 4,797,647	45.1%
<b>Net Rev/Exp</b>	\$ 1,828,271	\$ 505,705	

\*amounts exclude encumbrances

**Positive**



The Highway User Revenue Fund (HURF) accounts for the receipt of Highway User Revenue Fund distributions from the state. These revenues are derived largely from fuel taxes and vehicle registration fees, and are allocated based on Tempe's share of state population, as well as other factors. HURF resources are dedicated to Street and Traffic Operations, Maintenance, and Construction activities in the City. Revenues are 42.5% of budget compared to a historical average of 42.6%, while expenditures are 45.1% of budget compared to the three year historical trend of 47.8%.

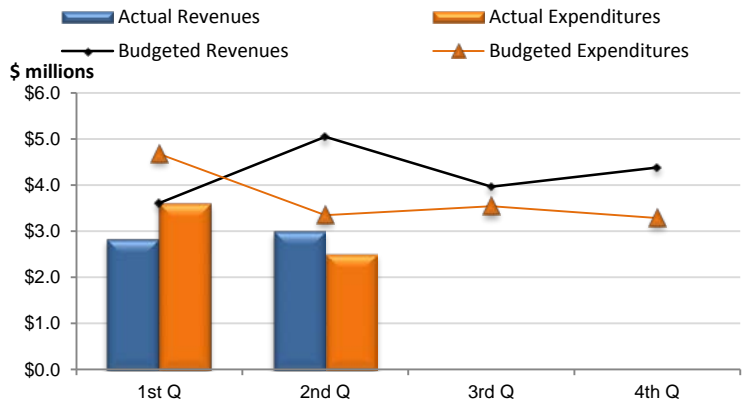


**CDBG/Section 8 Funds**

	FY 16-17 Budget	FY 16-17 2Q Actual*	% Budget to Date
<b>Total Revenues</b>	\$14,840,888	\$ 5,837,404	39.3%
Operating	\$14,360,355	\$ 5,722,168	39.8%
Capital	11,000	5,028	45.7%
Debt Service	469,533	394,012	0.0%
<b>Total Expenses</b>	\$14,840,888	\$ 6,121,208	41.2%
<b>Net Rev/Exp</b>	\$ -	\$ (283,804)	

\*amounts exclude encumbrances

**Positive**



The Community Development Block Grant (CDBG) and Section 8 Funds are established to account for the receipt and expenditure of federal grants for redevelopment and rental subsidies for low income residents. Revenues through the second quarter total 39.3% of the FY 2016-17 budget, compared to the historical percentage of 42.2%. Expenditures through the second quarter total 41.2% of the FY 2016-17 budget, compared to the historical percentage of 54.0%. The net effect on the fund status through the second quarter is a small operating deficit, though this is largely due to the timing of grant revenue receipts.

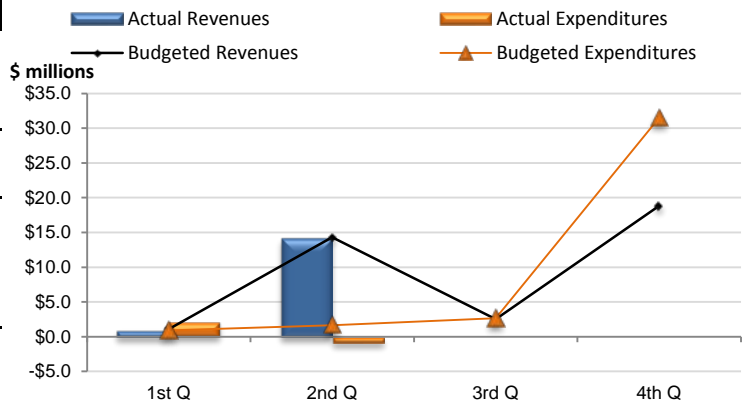


**Debt Service Fund**

	FY 16-17 Budget	FY 16-17 2Q Actual*	% Budget to Date
<b>Revenues</b>	\$26,577,755	\$14,715,385	55.4%
Transfers In	10,148,768	556,413	5.5%
<b>Total Revenues</b>	\$36,726,523	\$15,271,797	41.6%
Debt Service	\$25,245,501	\$ (1,001,199)	-4.0%
Transfers Out	11,418,100	2,209,679	0.0%
<b>Total Expenses</b>	\$36,663,601	\$ 1,208,480	3.3%
<b>Net Rev/Exp</b>	\$ 62,922	\$14,063,317	

\*amounts exclude encumbrances and impact of bond refunding

**Positive**

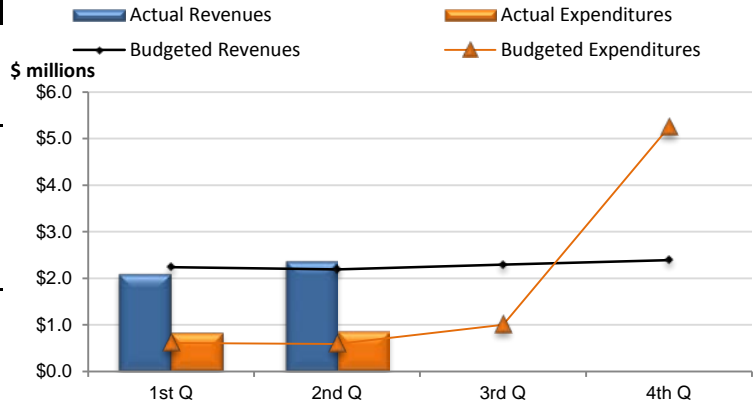


The Debt Service Fund accounts for the receipt of secondary property taxes to be used for payment of debt service on the City's tax supported debt. Actual revenues and expenditures through the second quarter are in line with historical budget comparisons and within budgeted parameters. The City receives significant revenue from the Maricopa County Assessor's Office in October and May. Because the City's property tax levy stabilization policy provides a predictable revenue stream for paying annual property tax-supported debt service payments, existing fund balance in the Debt Service Fund can be utilized to repay short-term property tax supported debt. Repayment of this debt will result in spending down the fund balance in the fund to between 4% and 8% of outstanding property tax supported debt, and will enhance the City's capacity to continue to issue property tax supported debt within the City's legal debt limits.



**Performing Arts Fund**

	FY 16-17 Budget	FY 16-17 2Q Actual*	% Budget to Date
<b>Total Revenues</b>	\$ 9,105,457	\$ 4,467,007	49.1%
Operating	\$ 3,961,060	\$ 1,667,163	42.1%
Capital	45,100	1,047	0.0%
Debt Service	3,437,850	4,746	0.1%
<b>Total Expenses</b>	\$ 7,444,010	\$ 1,672,956	22.5%
<b>Net Rev/Exp</b>	\$ 1,661,447	\$ 2,794,052	



**Positive**

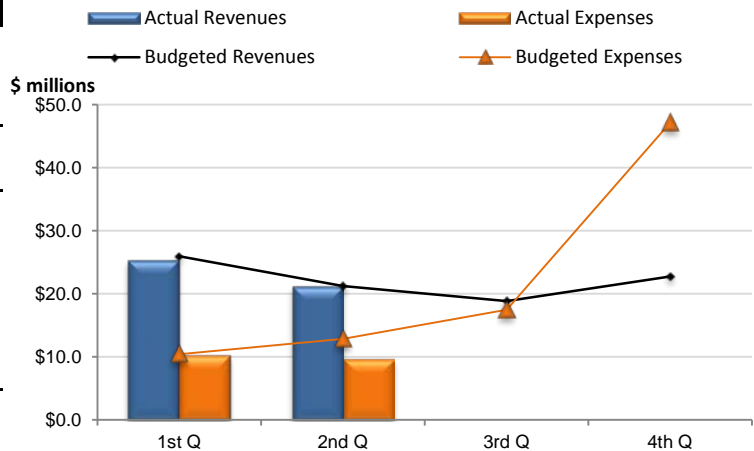
\*amounts exclude encumbrances

The Performing Arts Fund accounts for the receipt of the 0.1% Performing Arts Sales Tax, which is used to fund operating and debt service expenses associated with the Tempe Center for the Arts (TCA). Revenues through the second quarter of FY 2016-17 are 49.1% of budget, compared to the historical tracking percentage of 48.6%. Total expenditures are 22.5% of budget. The fund retired half of the debt issued to build the TCA in FY 2016-17, resulting in reduced annual debt service costs, which is allowing the fund to generate a surplus. This trend will continue until the arts tax expires in December of 2020, at which point, an annual deficit of over \$2 million is projected.



**Water/ Wastewater Fund**

	FY 16-17 Budget	FY 16-17 2Q Actual*	% Budget to Date
<b>Revenues</b>	\$ 82,412,650	\$ 46,606,572	56.6%
Transfers In	6,344,921	-	0.0%
<b>Total Revenues</b>	\$ 88,757,571	\$ 46,606,572	52.5%
Operating	\$ 41,567,871	\$ 20,840,746	50.1%
Capital	666,165	155,113	23.3%
Debt Service	39,315,885	(1,191,813)	-3.0%
Transfers Out	6,398,726	254,651	0.0%
<b>Total Expenses</b>	\$ 87,948,647	\$ 20,058,697	22.8%
<b>Net Rev/Exp</b>	\$ 808,924	\$ 26,547,876	



\*amounts exclude contingencies, encumbrances and inventory accounts

**Positive**

The Water/Wastewater Fund is a self-supporting enterprise fund used to account for all water and wastewater treatment operations in the City. Total revenues through the second quarter of FY 2016-17 are 52.5% of budget compared to the historical average of 53.2%. Total expenses through the second quarter are 22.8% of budget compared to 26.5% historically. Through the second quarter, the fund posted a \$26.5 million surplus. This is the result of the timing of debt service payments and payments for regional wastewater services, which occur in the fourth quarter.

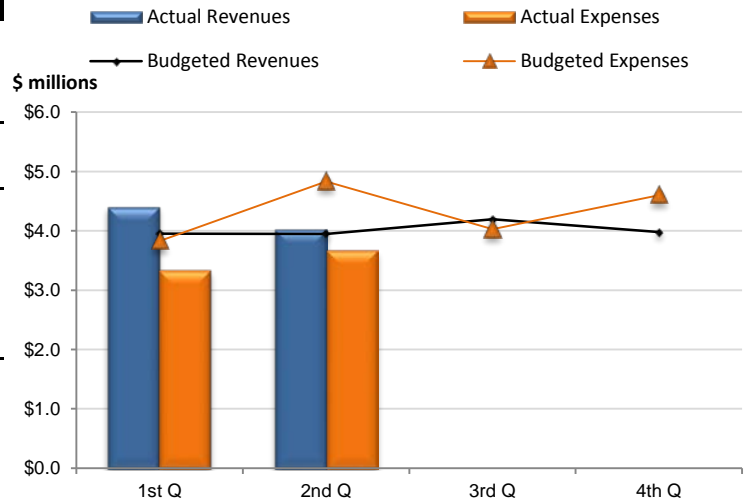


**Solid Waste Fund**

	FY 16-17 Budget	FY 16-17 2Q Actual*	% Budget to Date
Revenues	\$ 15,872,148	\$ 8,221,786	51.8%
Transfers In	200,000	200,000	100.0%
<b>Total Revenues</b>	<b>\$ 16,072,148</b>	<b>\$ 8,421,786</b>	<b>52.4%</b>
Operating	\$ 14,630,129	\$ 6,897,505	47.1%
Capital	2,652,460	94,528	3.6%
Transfers Out	4,941	4,770	0.0%
<b>Total Expenses</b>	<b>\$ 17,287,530</b>	<b>\$ 6,996,803</b>	<b>40.5%</b>
<b>Net Rev/Exp</b>	<b>\$ (1,215,382)</b>	<b>\$ 1,424,983</b>	

\*amounts exclude encumbrances

**Positive**



The Solid Waste Fund is a self-supporting enterprise fund intended to recover all operating, maintenance, and capital costs of providing residential and commercial solid waste services. Total revenues through the second quarter of FY 2016-17 are 52.4% of budget compared to 49.2% historically. Total expenses through the second quarter are 40.5% of budget compared to 50.1% historically. The adopted budget includes a \$1.2 million operating deficit for a planned spend down of fund balance and approved rate adjustments in order to stabilize the fund. Through the second quarter, the operating surplus is \$1.4 million.

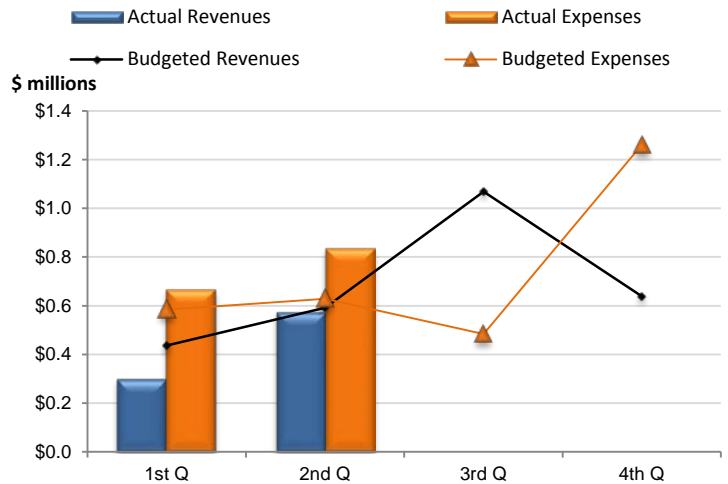


**Golf Fund**

	FY 16-17 Budget	FY 16-17 2Q Actual*	% Budget to Date
Revenues	\$ 2,662,026	\$ 801,966	30.1%
Transfers In	74,000	74,000	100.0%
<b>Total Revenues</b>	<b>\$ 2,736,026</b>	<b>\$ 875,966</b>	<b>32.0%</b>
Operating	\$ 2,506,872	\$ 1,279,763	51.1%
Capital	267,276	223,737	83.7%
Transfers Out	182,450	-	0.0%
<b>Total Expenses</b>	<b>\$ 2,956,598</b>	<b>\$ 1,503,500</b>	<b>50.9%</b>
<b>Net Rev/Exp</b>	<b>\$ (220,572)</b>	<b>\$ (627,534)</b>	

\*amounts exclude encumbrances

**Watch**



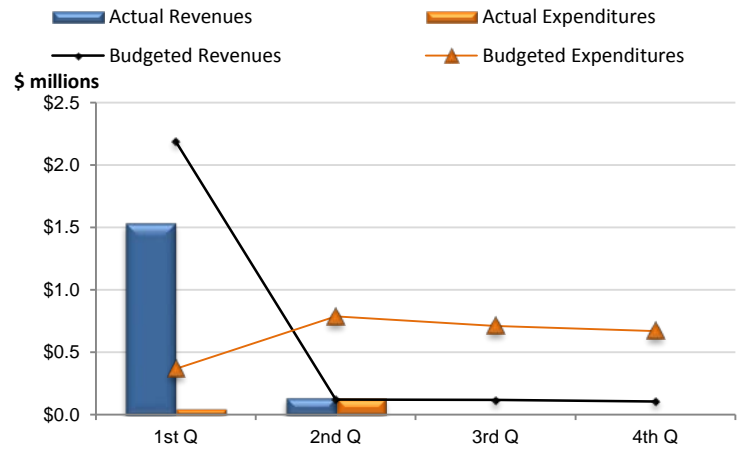
The Golf Fund is a self-supporting enterprise fund that provides for operation, maintenance, and debt service costs associated with two municipal golf courses. Total revenues through the second quarter of FY 2016-17 are 32.0% of budget compared to 37.6% historically. Total expenses through the second quarter are 50.9% of budget compared to the historical tracking percentage of 41.0%. The adopted budget projects a \$220,572 operating deficit. Through the second quarter, the fund has an operating deficit of \$627,534. This is due primarily to the irrigation system renovations that caused closure of the Rolling Hills golf course for the majority of the first quarter.

**Restricted Revenue and Donations**

	FY 16-17 Budget	FY 16-17 2Q Actual*	% Budget to Date
<b>Total Revenues</b>	\$ 2,533,428	\$ 1,672,712	66.0%
<b>Total Expenses</b>	\$ 2,533,428	\$ 179,176	7.1%
<b>Net Rev/Exp</b>	\$ -	\$ 1,493,536	

\*amounts exclude encumbrances and contingency appropriations

**Positive**



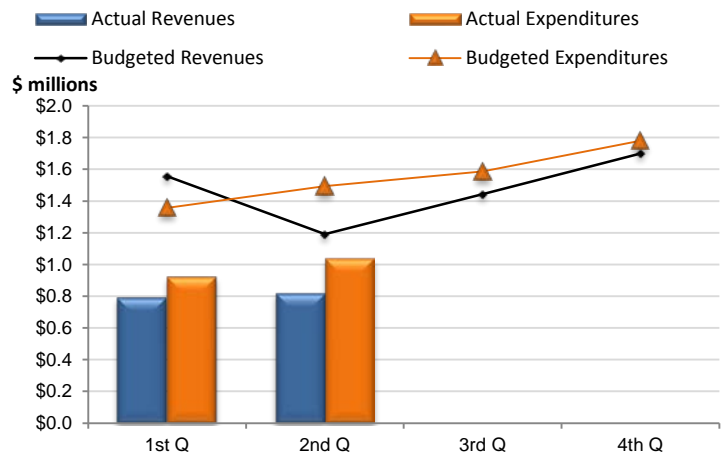
The Restricted Revenue and Donations Fund accounts for the receipt and expenditure of restricted revenue and donations related to general governmental activities. Revenues through the second quarter total 66.0%, while expenditures total 7.1%. The large operating surplus through the second quarter is mostly due to the carry forward of the prior year's revenues, which will be expended during the remainder of the year according to the provisions of the applicable agreements.

**Police Dept-RICO & Grants**

	FY 16-17 Budget	FY 16-17 2Q Actual*	% Budget to Date
<b>Total Revenues</b>	\$ 5,889,684	\$ 1,618,648	27.5%
<b>Total Expenses</b>	\$ 6,217,608	\$ 1,960,353	31.5%
<b>Net Rev/Exp</b>	\$ (327,924)	\$ (341,704)	

\*amounts exclude encumbrances and contingency appropriations

**Positive**



The Police Dept-RICO & Grants Fund accounts for the receipt and expenditure of grants, donations, asset forfeitures, and tow hearing fines associated with Police Department activities. Revenues through the second quarter total 27.5% of the FY 2016-17 budget, compared to the historical percentage of 46.6%. Expenditures through the second quarter total 31.5% of the FY 2016-17 budget, compared to the historical percentage of 45.9%. The net effect on the fund's status through the second quarter is an operating deficit of \$341,704, though this is largely due to the timing of grant revenues which typically occur on a reimbursement basis.

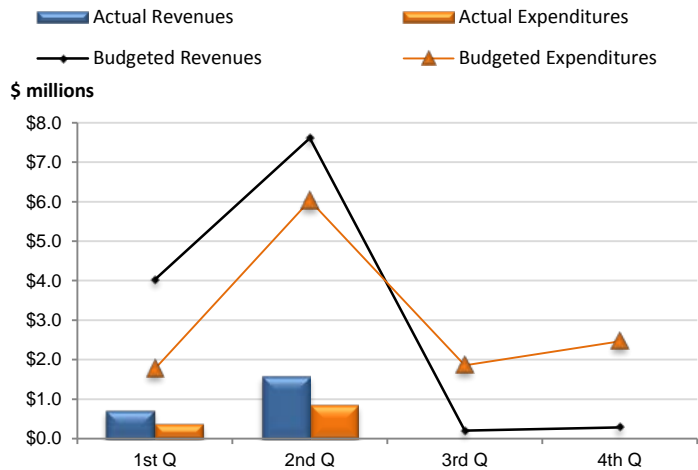


**Governmental Grants**

	FY 16-17 Budget	FY 16-17 2Q Actual*	% Budget to Date
<b>Total Revenues</b>	\$ 12,122,895	\$ 2,287,513	18.9%
<b>Total Expenses</b>	\$ 12,122,895	\$ 1,226,182	10.1%
<b>Net Rev/Exp</b>	\$ -	\$ 1,061,331	

\*amounts exclude encumbrances and contingency appropriations

**Positive**



The Governmental Grants Fund accounts for the receipt and expenditure of grants related to general governmental activities. Revenues through the second quarter total 18.9%, while expenditures total 10.1%. The large operating surplus through the second quarter is mostly due to the carry forward of the prior year's grant revenues, which will be expended during the remainder of the year according to the provisions of the applicable grant agreements.

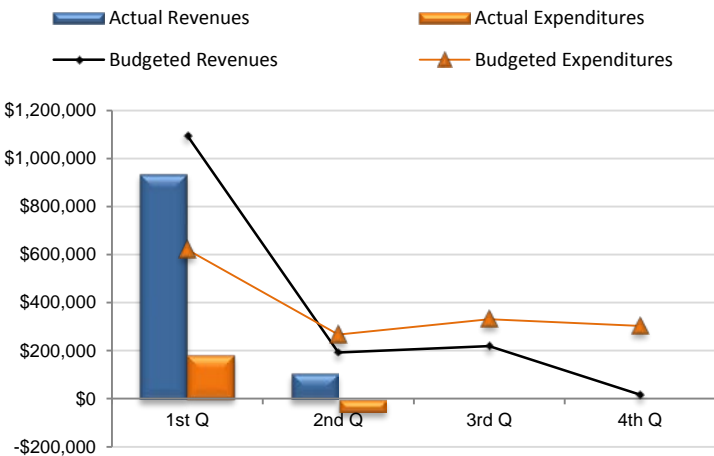


**Court Enhancement Fund**

	FY 16-17 Budget	FY 16-17 2Q Actual*	% Budget to Date
<b>Total Revenues</b>	\$ 1,521,750	\$ 1,044,957	68.7%
<b>Total Expenses</b>	\$ 1,521,750	\$ 125,944	8.3%
<b>Net Rev/Exp</b>	\$ -	\$ 919,014	

\*amounts exclude encumbrances and contingency appropriations

**Positive**



The Court Enhancement Fund is established to account for fine, fee and forfeiture revenues dedicated for City Court purposes pursuant to state statute and city code. Revenues through the second quarter total 68.7% of the FY 2016-17 budget, compared to the historical percentage of 84.6%. Expenditures through the second quarter total 8.3% of the FY 2016-17 budget, compared to the historical percentage of 58.3%. The large operating surplus through the second quarter is mostly due to the carry forward of the prior year's grant revenues, which will be expended during the remainder of the year. Expenditures are below their expected levels based on historical patterns, however the shortfalls contribute to the operating surplus, resulting in minimal impact on the status of the fund.