



# **CARROLLTON**

**T E X A S**

## SUMMARY FINANCIAL STATEMENTS BUDGET BASIS

**FISCAL YEAR 2023**

**AS OF January 31, 2023**

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## GENERAL FUND

The General Fund is the main operating fund of the City. All general tax revenues and other receipts that are not restricted by law or contractual agreement to another fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid through the General Fund. This fund includes most of the basic operating services such as Fire, Police, Environmental Services, Parks and Recreation, Libraries, Development Services, and Street Maintenance.

### Financial Summary

General Fund				
	Original Budget	YTD Portion of Budget	Actual to Date	% of Budget to Date
<b>Revenues:</b>				
Taxes & franchise fees	\$ 123,509,556	\$ 41,169,852	\$ 70,846,770	57.36%
Other	\$ 12,220,059	\$ 4,073,353	\$ 3,590,022	29.38%
<b>Transfers in from:</b>				
Utility Fund for Payment In Lieu of Taxes	\$ 2,695,726	\$ 898,575	\$ 898,575	33.33%
<b>Expenditures:</b>				
Recurring Operating Costs	\$ (125,072,843)	\$ (41,690,948)	\$ (40,054,174)	32.02%
<b>Transfers out/Non-operating uses:</b>				
Rate Review	\$ (25,000)	\$ (8,333)	\$ -	0.00%
Hotel/Motel Tax Subsidy	\$ (270,000)	\$ (90,000)	\$ -	0.00%
Essential Tech Funds	\$ (1,691,225)	\$ (563,742)	\$ -	0.00%
Economic Development Incentives	\$ (130,000)	\$ (43,333)	\$ -	0.00%
Addtl. Sources/Reduct. Uses	\$ (3,035,414)	\$ (978,471)	\$ -	0.00%
One-time Comp Adj.	\$ (608,236)	\$ (202,745)	\$ -	0.00%
Capital Projects	\$ (48,486,215)	\$ (16,162,072)	\$ -	0.00%
Net increase (decrease)	\$ (40,893,592)	\$ (13,597,684)	\$ 35,281,193	

### Fund Characteristics

Target fund balance is equal to 60 days of operating expenditures.

Revenue consists of:

1. Property (ad valorem) taxes plus their penalties and interest which represent over half of the revenue.
2. Sales and use taxes represent the City's second highest revenue source.
3. Licenses and permits, franchise fees, fines and forfeitures, charges for services, interest, and other miscellaneous fees.

Used to account for all financial resources and all expenditures, fixed charges, and capital improvement costs not accounted for or paid through other funds.

## January 2023 Highlights

Through January 2023, the city has received approximately 54.84% of its operating revenue budgeted for the year. The City receives most of its property tax revenue in the first five months of the year since payments for the year are due on January 31, 2023. The City receives regular notifications from each county which updates our taxable levy based on cases settling that were under protest at the time of the tax adoption and have since come to a resolution. So far this year, our total overall levy has increased about 1.47% due to these supplements.

Sales tax receipts for January came in 29.72% over the monthly budgeted amount. Sales tax revenue will continue to exceed budgeted amounts from conservative budgeting due to potential impacts of the change to Rule 3.334. This rule impacts the definition of “place of business” and will result in a decrease of at least \$4 million annually. The Comptroller has refiled its rule change and staff continue to monitor the ongoing status of the proposal.

Franchise fees ended FY2022 7.96% ahead of budget. Gas franchise fees came in above budget due to increased changes to consumers. The city continues to experience decreases in revenue generated from telecommunication and

Type	FY2022 Budget	FY2022 Actuals
Electricity	\$ 6,572,251	\$ 6,443,378
Telecommunications	1,135,474	847,689
Gas	1,292,622	2,125,765
Cable	1,118,962	1,118,639
Solid Waste	1,149,432	1,630,386
<b>Total</b>	<b>\$ 11,268,741</b>	<b>\$ 12,165,857</b>

cable fees. This decrease is a result of a change in law that requires companies to pay fees for use of right-of-way only on their largest revenue source, not on all of their revenue sources.

Recurring expenditures are slightly below target. The City continues to face challenges in staffing and retention as the economy continues to have strong employment gains. Transfers out for subsidies and to various capital projects are made at the end of the year, to ensure that the General Fund is able to meet its financial obligations and maintains a minimum fund balance of 60 days of recurring expenditures. Fund balance will be monitored by staff as the year progresses.

The multi-year budget will be presented to the Council in March to provide an update on the General Fund status and an outlook for the next five fiscal years.

## UTILITY FUND

The Utility Fund is used to account for water and sewer services to the residents and businesses of the City. Activities of the fund include administration, operation, and maintenance of the water and sewer system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are primarily financed through charges to utility customers through water and sewer rates.

### Financial Summary

Utility Operating Fund				
	Original Budget	YTD Portion of Budget	Actual to Date	% of Budget to Date
<b>Revenues:</b>				
Sales and Charges	\$ 51,386,711	\$ 17,128,904	\$ 16,108,992	31.35%
Other	\$ 1,332,226	\$ 444,075	\$ 414,509	31.11%
<b>Expenses:</b>				
Recurring Operating Costs	\$ (45,929,145)	\$ (15,309,715)	\$ (13,662,600)	29.75%
<b>Transfers out/Non-operating uses:</b>				
General Fund for Payment in lieu of Taxes	\$ (2,695,726)	\$ (898,575)	\$ (898,575)	33.33%
Debt Service	\$ (1,725,579)	\$ (575,193)	\$ (560,667)	32.49%
Capital Projects	\$ (4,869,424)	\$ (1,623,141)	\$ -	0.00%
Net increase (decrease)	\$ (2,500,937)	\$ (883,645)	\$ 1,401,659	

### Fund Characteristics

1. Target fund balance is equal to 90 days of operating expenditures.
2. Revenue consists of:
  - a. Water sales and charges, which represent a little over half of the fund’s revenue.
  - b. Sewer sales and charges, which represent approximately 40% of the revenue received.
  - c. Other small fees and charges such as: tag and reconnect fees, industrial surcharge, backflow prevention, investment, and miscellaneous income.
3. As an enterprise fund, the operations are financed through its sales and run similarly to a private business.
4. Costs for providing goods and services to the public are financed through user charges.

### January 2023 Highlights

Water and sewer rate changes went into effect on January 1, 2022. Water and sewer sales are similar to numbers received last year, but we expect to see the changes in revenue generation in the upcoming months once the rate changes have been in effect for a longer period.

Expenditures are running under the budgeted amounts, primarily driven by vacancies in the Public Works department. The Utility Fund continues to make annual payments to the General Fund in lieu of taxes that will total \$2,695,726 at the end of FY2023.

Staff will begin its recently approved rate study in March with expected completion in the fall.

### GOLF COURSE FUND

The Golf Course Fund had been designated as an enterprise fund and is used to account for the maintenance and upkeep of Indian Creek Golf Club. The City utilizes a management services contract to oversee the operations of the courses. Under the current contract signed in March 2021, Orion reimburses the City for utilities, equipment depreciation/refresh, and a portion of the golf course revenue. The percentage of revenue shared with the City is based on a tiered sliding scale and is calculated on a year-to-date basis. The revenue is then used to make improvements to the City’s course, administration, operations, and maintenance costs.

#### Financial Summary

Golf Course Operating Fund				
	Original Budget	YTD Portion of Budget	Actual to Date	% of Budget to Date
<b>Revenues:</b>	\$ 780,771	\$ 260,257	\$ 278,894	35.72%
<b>Expenses:</b>	\$ (277,528)	\$ (92,509)	\$ (15,780)	5.69%
<b>Transfers out to Capital Projects</b>	\$ (300,000)	\$ (100,000)	\$ -	0.00%
Net increase (decrease)	\$ 203,243	\$ 67,748	\$ 263,114	

#### Fund Characteristics

1. Target fund balance is equal to 50% of annual debt service.
2. Revenue consists of a percentage of the income attained by Orion Management based on a tiered sliding scale on the YTD amount and reimbursement of certain expenses.
3. Susceptibility to extreme weather patterns, including floods due to its location next to the Trinity River, and environmental factors like the pandemic may prompt a need for subsidizing during repairs and inclement weather closures.

#### January 2023 Highlights

The Golf Course continues to outperform its expectations. The City received 28% of Orion Management’s monthly income for the months of October through December based upon the agreed-upon revenue-share model. Starting in January of each year, it resets to 13% in accordance with the contract. This percentage continues to grow throughout the year as performance at the course continues to grow. Staff expect expenses to come in below target, as no major repairs or maintenance to the Golf Course have been required. All golf course utility and depreciation expenses charged to the City will be reimbursed by Orion. A transfer of \$300,000 is scheduled to move funds from operating to capital funds for Fiscal Year 2023. The transfer will be made in February.

## SOLID WASTE FUND

The Solid Waste Fund is an enterprise fund that is funded through its user fees. Residential, multifamily, and commercial solid waste services are outsourced to a private waste provider, Republic Services. Residential fees fund an annual capital transfer for alley replacements. Due to the continual growth in multifamily dwellings and change in service demand, apartments are now charged on a per-service basis rather than a set rate per unit.

Solid Waste Operating Fund				
	Original Budget	YTD Portion of Budget	Actual to Date	% of Budget to Date
<b>Revenues:</b>	\$ 12,372,464	\$ 4,124,155	\$ 4,154,418	33.58%
<b>Expenses:</b>	\$ (11,107,066)	\$ (3,702,355)	\$ (3,407,037)	30.67%
<b>Transfers out to Capital Projects</b>	\$ (1,350,977)	\$ (450,329)	\$ -	0.00%
Net increase (decrease)	\$ (85,579)	\$ (28,529)	\$ 747,381	

### Fund Characteristics

1. Target fund balance is \$200,000.
2. Revenue consists of:
  - a. Residential collection fees, which account for about 75% of the entire monthly revenue.
  - b. Apartment collections fees, including commercial/business, represent about a third of the revenue.
  - c. Expenditures – payments to third party provider and capital pay-go funding for alley replacements.

### January 2023 Highlights

Rate increases for solid waste services went into effect on October 1, 2023 as a result of increased contract costs. With those changes, revenue is meeting its targets when compared to the year-to-date percentage of budgeted revenue. The Solid Waste Fund planned a capital transfer for alley rehabilitation is \$1.3 million in Fiscal Year 2023. The capital projects transfer is scheduled for the end of the year once staff has verified the Solid Waste Fund will meet its target fund balance of \$200,000.