

## Town of Westlake Quarterly Financial Analysis

### Summary

#### Overview

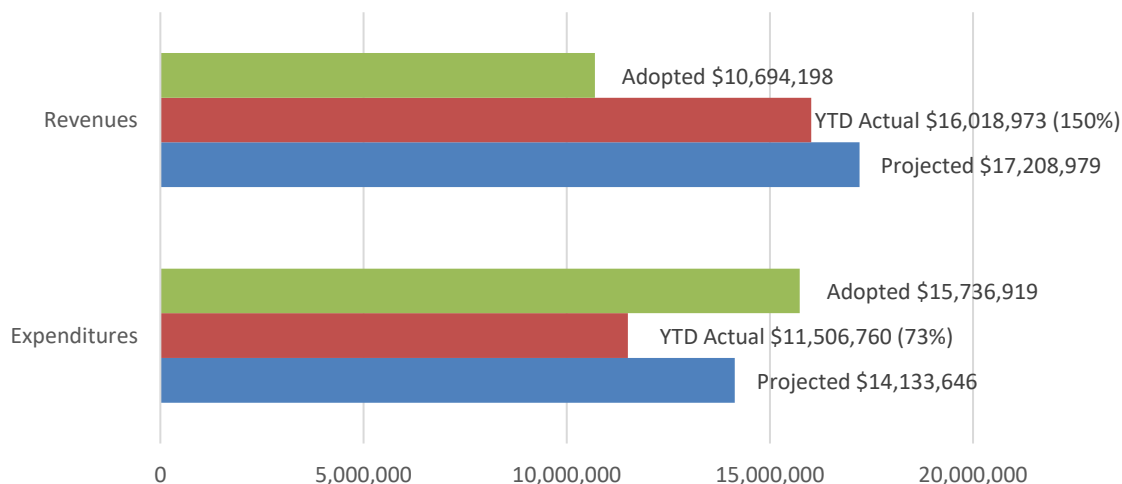
The Town of Westlake adopted a total operating budget with \$27m projected in revenue and \$33m planned expenditures, intending to use \$5m of available fund balance for fiscal year 2022-2023. This budget is separate from the Westlake Academy operating budget, although capital expenditures and shared services are included within the Town's budget. The Town operates fund-based accounting, or separate self-balancing accounts for specific purposes. For the purposes of the quarterly report, only major funds are included in the narrative summary. Budgetary summaries for each operating fund are included as supplemental information.

### General Fund

#### Overview

The General Fund is the Town's major operating fund and responsible for most of the daily operating activities, including administrative services, fire and emergency medical services, and shared support services for the Westlake Academy. The General Fund budget was adopted with a projected \$5m in use of fund balance; the unaudited fourth quarter projects the deficit will be eliminated. Based on significantly higher than expected sales tax revenues, franchise fees, and interest income, along with reduced capital spending, the Town is currently projecting to end the year with a \$3.1m contribution to fund balance, pending year end activities. Staff is currently evaluating year end revenues and expenditures and will present a budget amendment for the Town Council's consideration in January.

#### General Fund



## **Town of Westlake Quarterly Financial Analysis**

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### **Revenue Summary**

The General Fund revenues include three major categories: sales and use tax, property tax, and development fees and permits. The Town dedicates 1-cent of its sales tax levy to support the General Fund; 0.5-cent is designated for property tax reduction and recorded within the General Fund; the remaining 0.5-cent is for the 4B Economic Development Corporation. For tax year 2022, the Town adopted a property tax rate of \$0.16788 per \$100 of value; roughly 62% of the total tax levy funds operations within the General Fund and the remaining is restricted for debt service. In total, 150% of budgeted revenues have been collected, pending final adjustments:

- 233% of budgeted sales tax has been collected; revenue projections include an additional \$5,766,016 in anticipated collections and an estimated ending amount of \$10,000,000. Staff will closely monitor this volatile revenue source.
- 107% of the budgeted levy has been collected for FY 2023; the amount over 100% is from penalties and interest paid by property owners.
- Permits and fines continue to trend down for FY 2023, resulting in a deficit from budget of approximately \$75,000.
- 130% of budgeted franchise fees have been collected; revenue projections include an additional \$202,865 and an estimated ending amount of \$750,000.
- 2,211% of budgeted interest income has been received; revenue projections include an additional \$450,000 over adopted budget. Due to the many rate hikes by the Fed, the Town's portfolio has experienced better than budgeted returns.
- Council will be presented with a budget amendment to consider that will include the revised revenue collections in January.

### **Expenditure Summary**

The General Fund expenditures account for the majority of Town operations, including general government, public safety, public works, and cultural and recreational functions. The Town budgets for 17 different departments within these functions, each with their own characteristics and annual spending spread. In total, 73% of budgeted expenditures have been spent during FY 2023, pending year end activities:

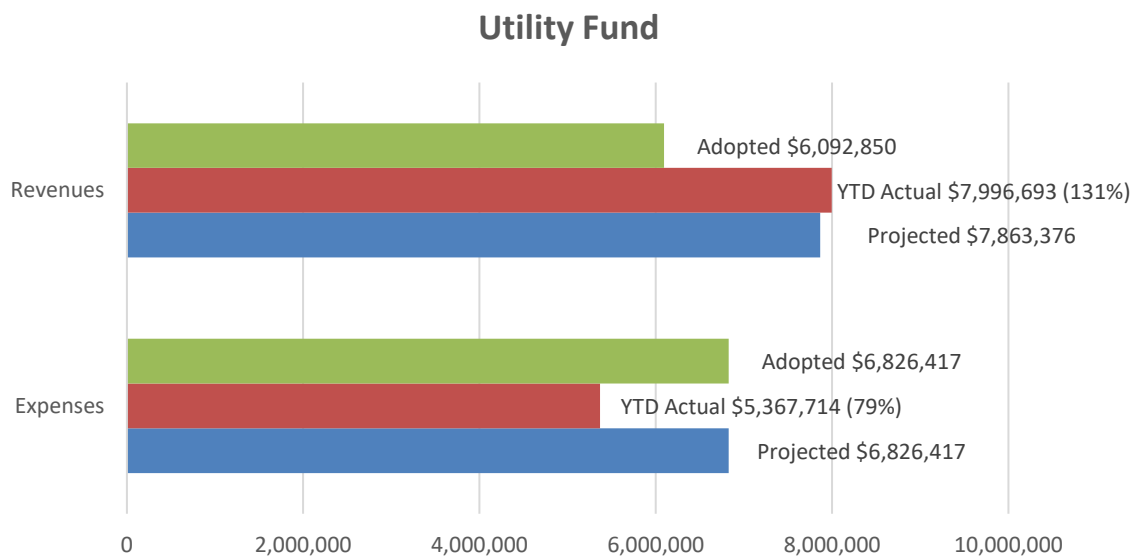
- Public safety, which comprises fire, emergency medical service, and contracted police services, make up roughly 26% of budgeted expenditures. Police services are billed quarterly; the cost of contract was under-budgeted and invoiced incorrectly. An additional \$207,752 was required to fulfill the Town's obligations for the patrol and school resource officers.
- The General Administration cost center is higher than budget due to the Town's agreement to supplement funds for training at Westlake Academy, an increase in electricity and maintenance costs for Town Hall, and some unexpected work relating to a planned software upgrade.
- Planning & Development was overbudget due to the change in engineering firms and the unbudgeted expenses relating to the Deloitte development, which is being offset by revenues.
- The Finance Department was overbudget due to the employee turnover and subsequent contracted staffing leveraged to backfill required functions. These services were completely discontinued during Q4.
- Information Technology was overbudget due to unexpected A/V repairs in Chambers and at the Academy.
- Communications was overbudget due to a correction in the allocation of salaries to the Visitors Fund.
- The Transfers cost center show lower than expected activity, in large part due to the decision to limit or halt most capital expenditures. Staff will be evaluating these transfers as part of year end activities.

## Town of Westlake Quarterly Financial Analysis

### Utility Fund

#### Overview

The Utility Fund is the Town's second largest fund and responsible for the delivery of water and sewer services to all residences and businesses within the Town. It is an enterprise-type fund; fees are set annually with the intent to cover the full cost to provide services, similar to a business. The Utility Fund budget was adopted with a projected \$734k in use of retained earnings, but is expected to end the year contributing \$1m.



#### Revenue Summary

The Utility Fund revenues are mainly comprised of water sales and sewer treatment revenues charged to users within the Town. In total, 131% of budgeted revenues have been collected for FY 2023:

- 149% of budgeted water revenue was collected; water revenue is generally contingent on rainfall, which was minimal during the summer.
- 100% of budgeted sewer revenue has been collected; the Town employs winter quarter averaging in order to stabilize rates and better reflect water actually treated.
- Duct bank fees were significantly underbudget. Staff is working to review all agreements and ensure proper remittance.
- Other revenues include interest income, which is up significantly due to higher interest rates.

#### Expense Summary

The Utility Fund expenses include the purchase of water from the City of Fort Worth, sewer treatment from Trinity River Authority, annual debt service payments, and transfers out. In total, expenses were 79% of budget:

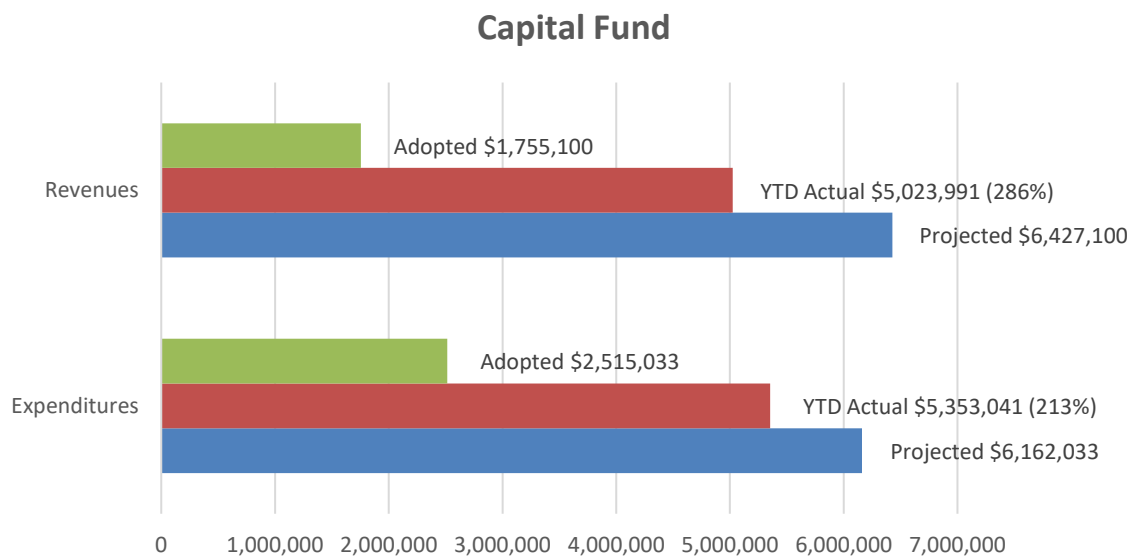
- 100% of water purchases and sewer treated were expended.
- Electricity and supplies were overbudget due to the maintenance needs identified by the department.
- Operating transfers out occur as personnel expenditures in the General Fund are incurred; capital transfers out are recorded as needed.

## Town of Westlake Quarterly Financial Analysis

### Capital Project Funds

#### Overview

The Town of Westlake uses 3 capital project funds: Capital Projects, Arts & Sciences Center, and Westlake Academy Expansion. The budgets for these funds are based on known revenues and projects at the time of adoption for that fiscal year and reflected in the five-year Capital Improvements Plan. Due to projects authorized by Town Council during the first half of the year, budget amendments will be presented for approval.



#### Revenue Summary

The revenues for capital project funds include bond proceeds, donations, interest income, and transfers in from other operating funds. The Town issued a \$3.5m tax note to fund modular buildings at the Academy and accepted \$1.1m in donations for the gym renovation. In total, 286% of budgeted revenues were collected in FY 2023:

- Transfers were paused during FY 2023, reflecting the Council direction to re-evaluate capital spending.
- Revenues were otherwise up significantly due to the higher interest earnings, tax note proceeds, and donor contributions.

#### Expenditure Summary

Expenditures within the capital project funds are restricted to the costs required for capital improvements and the operating costs specifically required to support the projects. In total, expenditures were 213% of budget:

- Town capital projects relating to infrastructure were 11% of budget, due to the pause in spending.
- Design fees for the Academy came in overbudget by 129%.
- Unbudgeted spending relating to the installation and outfitting of the modular buildings and issue mitigation with the gym renovation will be included in the budget amendment.

## **Town of Westlake Quarterly Financial Analysis**

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### **Debt Service**

#### **Overview**

The Town of Westlake utilizes a mix of debt instruments to finance capital projects and the acquisition of major assets for the Town and Westlake Academy. The Town maintains a rating of AAA from Standard & Poor's rating agency to ensure the lowest interest costs available. Total outstanding debt as of October 1, 2022, was \$47,649,000 across 11 different issuances and 3 different funding sources (sales tax, property tax, and utilities).

- Debt payments are made twice a year, in February and August; payments were made in February for all outstanding obligations and interest payments were made in August, as required.
  - Debt obligations for fiscal year 2023 are \$3,922,949 (\$2,327,000 in principal and \$1,595,949 in interest).
  - The Town issued \$3,500,000 in tax notes to fund modular buildings. These payments begin August 2023.
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### **Investment Holdings**

#### **Overview**

The Town of Westlake historically leveraged their depository for almost all the Town's investment activities. The depository agreement stipulates that the interest earned will match the TexPool prior month average rate. The Council approved participation in Texas CLASS risk pool in June. The account was funded during Q4; earnings are reflected beginning with this report. The Town earned a total of \$684,503 in interest from its investment activities during the fourth quarter. The Academy is not currently participating in Texas CLASS due to its low cash reserves. The Academy earned a total of \$4,763 in interest from the depository and TexPool.

#### **Economic Summary**

The Fed implemented additional increases to the interest rate through the first quarter of calendar year 2023, with the last occurring in March. The increases to the rate, continued economic resilience in the face of inflation, and the lowering bond yields contributed to a banking crisis that began in March. Despite the subsequent slowing activity, Texas continues to see employment growth and reports that only the energy sector is yet to recover all jobs lost in the pandemic. Overall, economic conditions in the state remain above the national levels.

Sources:

[Your Texas Economy \[Dallas Fed\]](#)

[Monthly Newsletter July 2023 \[Federated Investors\]](#)

[Economic Summary – Q2 2023 \[Hilltop Securities\]](#)

The information herein represents Westlake's Municipal and Academic investment report for the period ended June 30, 2023. The undersigned acknowledges that the Town's investment portfolios are accurate and is actively working to ensure compliance with the policies and strategies contained in the Town's Investment Policy, as adopted by Ordinance 950, and is actively working to ensure compliance with the requirements of section 2256.023 of the Public Funds Investment Act of the State of Texas.



Cayce Lay Lamas, CPA  
Director of Finance



## Quarterly Investment Report

### Fourth Quarter Ended September 30, 2023 Unaudited

#### INVESTMENT ACTIVITY

FINANCIAL INSTITUTION	9/30/23	6/30/23	3/31/23	12/31/22
<b>First Financial Bank</b>				
<i><b>Muni General Operating - 6904</b></i>				
Beginning Balance	\$ 27,928,807	\$ 51,935,450	\$ 50,774,180	\$ 47,129,749
Deposits	3,035,463	2,141,665	7,396,748	2,851,740
Withdrawals	3,562,984	1,518,676	5,493,223	1,480,844
Interest	121,829	230,442	145,604	122,356
<b>Ending Balance</b>	<b>27,523,116</b>	<b>52,788,881</b>	<b>52,823,310</b>	<b>48,623,000</b>
<i><b>Westlake Academy - 6920</b></i>				
Beginning Balance	683,093	1,027,137	1,473,413	1,007,435
Deposits	420,451	689,873	1,064,206	1,638,012
Withdrawals	1,045,726	990,837	1,083,973	933,134
Interest	1,075	3,569	3,371	3,371
<b>Ending Balance</b>	<b>58,892</b>	<b>729,743</b>	<b>1,457,018</b>	<b>1,715,684</b>
<i><b>Insurance Trust - 6946</b></i>				
Beginning Balance	-	-	-	-
Deposits	45,572	92,110	47,660	111,264
Withdrawals	45,572	49,851	47,660	54,795
Interest	-	-	-	-
<b>Ending Balance</b>	<b>-</b>	<b>42,259</b>	<b>-</b>	<b>56,469</b>



## Quarterly Investment Report

### Fourth Quarter Ended September 30, 2023 Unaudited

#### INVESTMENT ACTIVITY

FINANCIAL INSTITUTION	9/30/23	6/30/23	3/31/23	12/31/22
<b>TexPool</b>				
<i><b>Muni</b></i>				
Beginning Balance	110	108	107	106
Deposits	-	-	-	-
Withdrawals	-	-	-	-
Interest	1	0	0	0
<b>Ending Balance</b>	<b>110</b>	<b>109</b>	<b>108</b>	<b>107</b>
<i><b>Academy</b></i>				
Beginning Balance	110	108	107	106
Deposits	-	-	-	-
Withdrawals	-	-	-	-
Interest	1	0	0	0
<b>Ending Balance</b>	<b>110</b>	<b>109</b>	<b>108</b>	<b>107</b>
<b>Texas CLASS</b>				
<i><b>Muni</b></i>				
Beginning Balance	25,060,159	-	-	-
Deposits	-			
Withdrawals	-			
Interest	113,965			
<b>Ending Balance</b>	<b>25,174,124</b>	<b>-</b>	<b>-</b>	<b>-</b>



# Quarterly Investment Report

## Fourth Quarter Ended September 30, 2023 Unaudited

### INVESTMENT ACTIVITY

#### Investment Activity Summary as of 9/30/23

Description	Yield	Yield	Yield	Yield
First Financial Bank	5.3047%	5.0035%	3.0000%	3.0000%
TexPool	5.3218%	5.0543%	4.6108%	3.9799%
Texas CLASS	5.5213%	N/A	N/A	N/A

#### Total Investments

*\* All accounts have a Life of 1 day and a Market Price of \$1.*

### BENCHMARKS

Investment Type	9/30/23	6/30/23	3/31/23	12/31/22
<b>T-Bills</b>				
3 months	5.32	5.16	4.69	4.25
6 months	5.31	5.19	4.77	4.55
<b>T-Notes</b>				
1 Yr	5.44	5.24	4.68	4.68
2 Yrs	5.02	4.64	4.30	4.29
3 Yrs	4.74	4.27	4.09	4.05
5 Yrs	4.49	3.95	3.82	3.76
<b>Gov't Pools</b>				
Texpool	5.3218	5.0543	4.6108	3.9799
Texas CLASS	5.5358	5.3010	5.0057	4.5211

#### Sources

[FRB H15: Data Download Program - Choose \(federalreserve.gov\)](#)

[TexPool](#)

[Texas CLASS](#)