

## Town of Westlake Quarterly Financial Analysis

### Summary

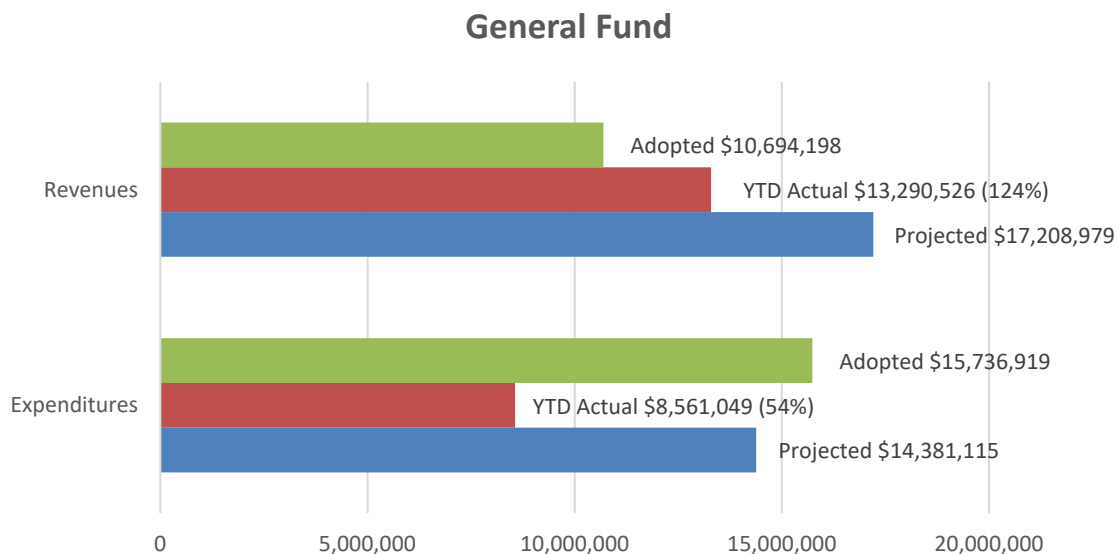
#### Overview

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; as of the third quarter, the deficit is projected to 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 \$2.8m contribution to fund balance. Staff will continue to monitor the performance of revenues and will present budget amendments for the Town Council's consideration to formally revise the budget to reflect the revenues received.



## **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, 124% of budgeted revenues have been collected through the first half of the year:

- 189% 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 through the third quarter; the amount over 100% is from penalties and interest paid by property owners.
- Permits and fines are trending under budget for FY 2023, but no adjustment to the year end projections is expected at this time.
- 130% of budgeted franchise fees have been collected; revenue projections include an additional \$202,865 and an estimated ending amount of \$750,000.
- 1,415% of budgeted interest income has been received; revenue projections include an additional \$450,000 and an estimated ending amount of \$475,000. 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 projections.

### **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. For example, IT spends more at the beginning of the fiscal year to renew subscriptions and order equipment, whereas Parks & Recreation activities largely occur during the summer months. In total, 54% of budgeted expenditures have been spent through the first three months of the year:

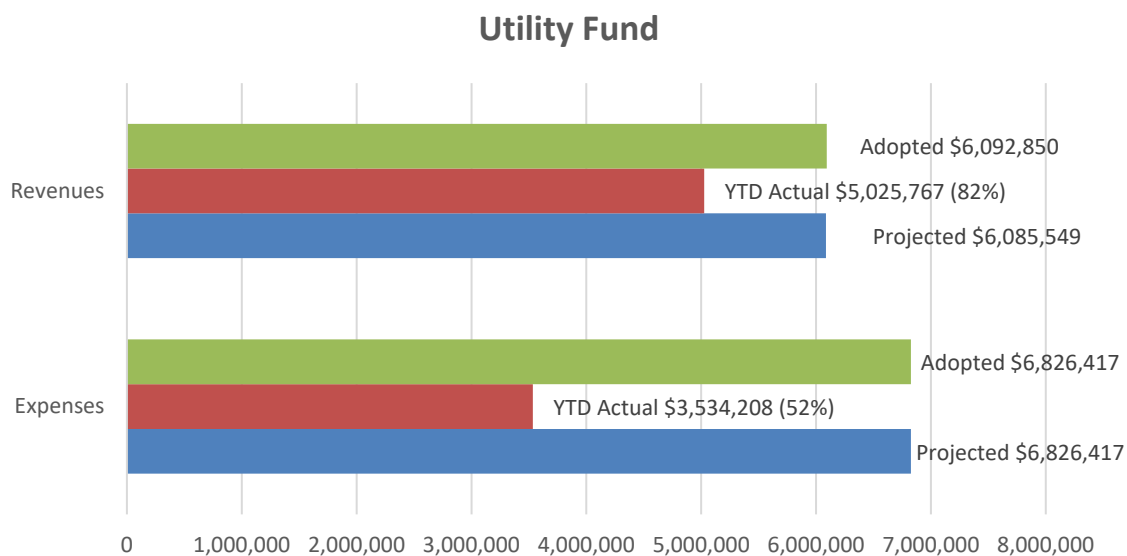
- Public safety, which comprises fire, emergency medical service, and contracted police services, make up roughly 26% of budgeted expenditures. Police services are billed quarterly; the cost of contract was under-budgeted and invoiced incorrectly. An additional \$144,196 is required to fulfill the Town's obligations.
- The General Administration cost center is trending higher than expected due to the Town's agreement to supplement funds for training at Westlake Academy and some unexpected work relating to a planned software upgrade. The expenditures for this cost center are not expected to go over budget in total.
- The Finance Department is overbudget due to the employee turnover and subsequent contracted staffing leveraged to backfill required functions. These services will be completely discontinued during Q4.
- Information Technology shows higher than expected spending through the third quarter because budgeted equipment had to be purchased early due to supply chain delays. The expenditures for this department will normalize towards the end of the year and is not currently expected to go over budget.
- The Transfers cost center show lower than expected activity, in large part due to the decision to limit or halt most capital expenditures.

## 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. Activities within this fund occur largely within the summer months, at which point the projected deficit will be reevaluated.



#### Revenue Summary

The Utility Fund revenues are mainly comprised of water sales and sewer treatment revenues charged to users within the Town. In total, 82% of budgeted revenues have been collected through June:

- 87% of budgeted water revenue has been collected; water revenue is generally contingent on rainfall and expected to be higher during the summer and dry months.
- 74% of budgeted sewer revenue has been collected; the Town employs winter quarter averaging in order to stabilize rates and better reflect water actually treated.
- Other revenues include interest income, which is up significantly due to higher interest rates. This increase will be included in the budget amendment.

#### 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, 52% of budgeted expenses have been expended through the first nine months of the year:

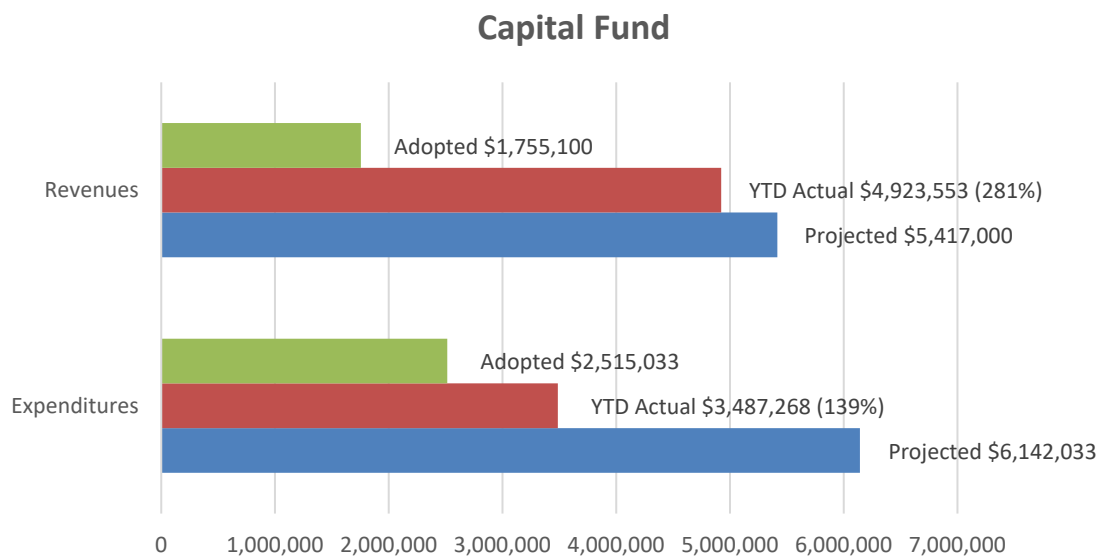
- 59% of water purchases and sewer treated have been expended.
- The remaining unspent amount of debt service reflects the August interest only payment.
- Operating transfers out occur as personnel expenditures in the General Fund are incurred; capital transfers out are recorded as needed.

## 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, 281% of budgeted revenues have been collected through the first nine months of the year:

- 1,330% of budgeted Capital Projects revenue has been collected, all of which is interest income.
- 558% of budgeted Arts & Sciences revenue has been collected, all of which is interest income.
- 1,000% of budgeted Academy Expansion revenue has been collected, due to the unbudgeted debt proceeds received and a donation. These revenues will be included in a budget amendment.

#### 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, 139% of budgeted expenses have been collected through the first six months of the year:

- 9% of Capital Projects expenditures have occurred for Parish Lane and software upgrade projects.
- 129% of Arts & Sciences expenditures have occurred, all of which is for design fees.
- 313% of Academy Expansion expenditures have occurred, the majority of which is for the modular buildings.

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## 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.
  - 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 leverages their depository for almost all the Town's investment activities. The 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 will start in the next report. The Town earned a total of \$592,590 in interest from its investment activities during the third quarter.

#### 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 Third Quarter Ended June 30, 2023

### INVESTMENT ACTIVITY

FINANCIAL INSTITUTION	6/30/23	3/31/23	12/31/22	09/30/22
<b>First Financial Bank</b>				
<i><b>Muni General Operating - 6904</b></i>				
Beginning Balance	\$ 51,935,450	\$ 50,774,180	\$ 47,129,749	\$ 40,832,714
Deposits	2,141,665	7,396,748	2,851,740	5,490,245
Withdrawals	1,518,676	5,493,223	1,480,844	1,546,132
Interest	230,442	145,604	122,356	83,460
<b>Ending Balance</b>	<b>52,788,881</b>	<b>52,823,310</b>	<b>48,623,000</b>	<b>44,860,287</b>
<i><b>Westlake Academy - 6920</b></i>				
Beginning Balance	1,027,137	1,473,413	1,007,435	1,503,967
Deposits	689,873	1,064,206	1,638,012	951,666
Withdrawals	990,837	1,083,973	933,134	1,114,498
Interest	3,569	3,371	3,371	2,515
<b>Ending Balance</b>	<b>729,743</b>	<b>1,457,018</b>	<b>1,715,684</b>	<b>1,343,650</b>
<i><b>Insurance Trust - 6946</b></i>				
Beginning Balance	-	-	-	-
Deposits	92,110	47,660	111,264	55,139
Withdrawals	49,851	47,660	54,795	55,139
Interest	-	-	-	-
<b>Ending Balance</b>	<b>42,259</b>	<b>-</b>	<b>56,469</b>	<b>-</b>
<b>TexPool</b>				
<i><b>Muni</b></i>				
Beginning Balance	108	107	106	105
Deposits	-	-	-	-
Withdrawals	-	-	-	-
Interest	0	0	0	-
<b>Ending Balance</b>	<b>109</b>	<b>108</b>	<b>107</b>	<b>105</b>
<i><b>Academy</b></i>				
Beginning Balance	108	107	106	105
Deposits	-	-	-	-
Withdrawals	-	-	-	-
Interest	0	0	0	-
<b>Ending Balance</b>	<b>109</b>	<b>108</b>	<b>107</b>	<b>105</b>



# Quarterly Investment Report

## Third Quarter Ended June 30, 2023

### INVESTMENT ACTIVITY

#### Investment Activity Summary as of 3/31/23

Description	Yield	Yield	Yield	Book & Market
				Value
First Financial Bank	5.0035%	3.0000%	3.0000%	54,280,327
TexPool	5.0543%	4.6108%	3.9799%	215
<b>Total Investments</b>				<b>54,280,543</b>

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

### BENCHMARKS

Investment Type	6/30/23	3/31/23	12/31/22	09/30/22
<b>T-Bills</b>				
3 months	5.16	4.69	4.25	3.13
6 months	5.19	4.77	4.55	3.63
<b>T-Notes</b>				
1 Yr	5.24	4.68	4.68	3.89
2 Yrs	4.64	4.30	4.29	3.86
3 Yrs	4.27	4.09	4.05	3.88
5 Yrs	3.95	3.82	3.76	3.70
<b>Gov't Pools</b>				
Texpool	5.0543	4.6108	3.9799	2.4126

#### Sources

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

[TexPool](#)