

# Staff Report



To: Mayor John Muhlfeld and City Councilors  
 From: Dana Smith, Finance Director *Dana*  
 Date: October 29, 2017  
 Re: 1st Quarter Financial Report for Fiscal Year 2018

This quarterly financial report provides a summary version of the financial results of the City during the first quarter of Fiscal Year 2018 (FY18). The first section is an overview of the City's financial condition specifically related to property tax supported funds. Subsequent sections provide further analysis and details of the first quarter ended September 30, 2017.

## **Financial Condition – Property Tax Supported Funds**

An analysis of available cash in property tax supported funds provides an effective insight into the City's financial condition. The following table lists the FY16 first quarter cash balance in column (a), the FY17 first quarter cash balance in column (b) and the FY18 first quarter cash balance in column (c) for comparison purposes.

**Cash Balance in Property Tax Supported Funds**

	<i>a</i>	<i>b</i>	<i>c</i>	<i>d (c-b)</i>
	<b>Sept 30, 2015 Cash Balance</b>	<b>Sept 30, 2016 Cash Balance</b>	<b>Sept 30, 2017 Cash Balance</b>	<b>One Year Change</b>
<b>General</b>	\$387,182	\$175,361	\$199,402	\$24,041
<b>Parks &amp; Recreation</b>	(\$116,917)	(\$50,502)	(40,434)	10,068
<b>Law Enforcement</b>	\$68,785	\$26,720	63,336	36,616
<b>Library</b>	\$79,966	\$82,603	63,609	(18,994)
<b>Fire &amp; Ambulance</b>	\$294,282	\$109,073	148,293	39,220
	\$713,298	\$343,255	\$434,206	\$90,951

Total cash in property tax supported funds as of September 30, 2017 increased by \$90,951 or 26.5% compared to the balance on September 30, 2016. The increases in the General Fund, Parks & Recreation Fund, Law Enforcement Fund, and Fire & Ambulance Fund were somewhat offset by a decrease in the Library Fund cash balance. Additional details by fund are described below.

*General Fund* – Historically, the General Fund has a net loss during the first quarter with expenditures exceeding revenues due to the timing of property tax collections. This trend continues to be the case for the first quarter of FY18. However, the General Fund cash balance compared to a year ago has increased by \$24,041 or 14%. The increase in cash balance is primarily due to the General Fund starting the fiscal year off with more cash than the prior year. As cash reserves in the General Fund continue to increase through future budget cycles, cash in the first quarter will also be expected to increase each year.

*Parks & Recreation Fund* – The Parks & Recreation Fund had a negative cash balance as of September 30, 2017 (H71), which is typical based on historical trends. However, the amount of negative cash has continued to improve from the prior year’s first quarter cash balance by \$10,068, or 20%. The improvement noted last year was the result of contracting out the management services of the ice rink, which typically had significant startup costs in the first quarter. For FY18, the increase is mostly due to an increase in the transfer from the General Fund. The remaining portion of the increase is likely due to the timing of expenditures. As in the past, the negative cash balance (short-term borrowing) is not a concern since it is simply a timing of revenue collections versus expenditures. By the third quarter cash is projected to have a positive balance once again. Ideally, no funds would have a negative cash balance at any point during the year, but the General Fund currently has monies available to temporarily fund the purchases in the first quarter for the Parks & Recreation Fund.

*Law Enforcement Fund* – There was an overall increase in the cash balance of \$36,616, or 137%, compared to the September 30<sup>th</sup> balance in the prior year. The increase in cash balance is the result of increased transfers from the General Fund and the Law Enforcement Fund starting the fiscal year off with a higher cash balance than FY17. Revenue also continued to exceed expenditures for the quarter by \$105,128 (H79).

*Library Fund* – The Library Fund was the only Fund with a decrease in cash balance during the first quarter. The decrease of almost \$19,000 is due to a slight slow-down in revenue, an increase in expenditures, and starting the fiscal year off with about \$10,000 less than FY17. The decrease in cash balance is not a concern at this time since the Fund is tracking as expected compared to the FY18 Budget and the anticipated property tax revenue will start to be collected during the second quarter. In addition, the budget does allow for a spend-down in cash balance to address potential capital improvement projects and needed repairs.

*Fire & Ambulance Fund* –The Fire and Ambulance Fund also ended the first quarter of FY18 with a higher cash balance than the prior year by \$39,220, or 36%. The Fund started the new fiscal year off with about \$47,000 more than the prior year, which was the main factor in the increased cash balance. The noted increase in cash balance was only slightly offset by the decrease in the transfers from the General Fund.

*Summary* – Overall the City’s finances remain in good condition. Increasing cash reserves as seen in the FY18 Budget is a positive direction for the City’s finances, which will help ensure the City is prepared for the next economic down-turn.

### **Financial Highlights**

- Municipal court fines and forfeitures are continuing the positive trend noted last fiscal year with revenues currently at 35% of the FY18 Budget. In addition, the amount collected in the first quarter has increased 13% from the prior year (K13). The likely cause of this increase is due to multiple factors that include the very successful in-house prosecution, mostly full staffing of the Police Department, a significant increase in call volumes, and an increase in citations issued.
- The Resort Tax collections are 42% of the FY18 Budget after the first quarter and 11% higher than September 30, 2016. While most of the increase is in lodging, retail and bars/restaurants are seeing an increase as well. Assuming this trend continues, there may continue to be additional property tax relief in FY19 since any amount collected over the budgeted amount must be returned to taxpayers as additional property tax relief.

- Ambulance Service Charges are 32% of the budget and up 39%, or \$121,480 (J88). The increase in revenue is likely the result of increased calls and the automatic rate increase that was effective July 1<sup>st</sup> based on the Consumer Price Index for U.S. All Urban Consumers – Medical Care Services.
- License and permit revenues in the Building Code Fund (H135) are up about 23% from the prior year first quarter and total 32% of the FY18 Budget. The beginning of FY18 has proven to be a very strong start for the fiscal year with both commercial and residential activity remaining high. Columbia Falls contract revenue is trending even higher at 68% growth compared to the first quarter of FY17.
- Impact fee revenue is also up from the prior year's first quarter by 22% and the revenue is 47% of the budget for FY18. Impact fees follow building permits, so this increase is not surprising based on the strong commercial and residential growth so far. The 47% of budgeted revenue is further broken down among the various impact fees as follows: Paved Trails (64% of budget), Park Maintenance Building (53% of budget), Emergency Service Center (44% of budget), City Hall (42% of budget), and Stormwater (58% of budget).
- Water impact fees are at 50%, while wastewater impact fees are at 46% of the FY18 Budget. Again, like other impact fees, these follow the building permit trends too and are higher than the prior year's first quarter.
- As of September 30, 2017, planning fees and zoning plan review fees were both at 35% of the expected revenue for FY18, which can point to continued development activity in the City.

### **Expenditure Review**

Total expenditures by fund were at or below the typical percentage of budget authority to be used (20-27% for most funds) as of September 30, 2017.

In addition to the fund totals, a review of line-items revealed very few issues. The timing of weather and programs can skew the percentage of budget used at the end of the first quarter. For example, more trail work is done in the first part of the fiscal year during the summer months. We will continue to monitor repair and maintenance expenses as this tends to be one of the more heavily used line-items, but most are within a reasonable amount. In the mid-year report, if items are deemed to be more than a timing issue, more detail will be provided.

### **Additional Detailed Analysis**

The following discussion further highlights the attached three spreadsheets.

#### ***General Fund Revenue (line 8 to 17)***

Total General Fund revenues are 13% of the FY18 Budget and have remained flat from the first quarter of FY17. The decrease in property tax revenues offset the increases in municipal court fines and forfeitures and miscellaneous revenue during the first quarter. The FY18 Budget provides for increased property tax revenue, but the property tax bills for this fiscal year will not be due until November and May.

***General Fund Expenditures, Net Revenue, & Cash (line 19 to 33)***

Total General Fund expenditures are on track at 25% of the FY18 Budget. Expenditures have increased 7%, which is mostly due to the increase in transfers to other property tax supported funds that was appropriated in the FY18 Budget. In addition, the budgeted capital expenditure for an administrative services vehicle was incurred in the first quarter.

The General Fund cash balance was \$199,402 compared to \$175,361 at the end of the prior year's first quarter (see line 33). The graph on page 1 of the spreadsheets shows the General Fund cash balance trends for the past four years. December, January, June, and July are months that tend to have higher cash balances due to the collection of property taxes. As mentioned before, building cash reserves to 15% - 20% (mostly in the General Fund) is important to ensure an adequate cash balance throughout the year and to be prepared for changes in the economy.

***Other Property Tax Supported Funds (p.2, line 71 to 97)***

Overall, the funds supported by property taxes had revenues exceed expenditures by the end of the first quarter. When compared to a year ago, these funds experienced an overall increase in cash with detailed discussion above. Also, compared to the prior year, revenues and expenditures have increased, with revenue increasing at a much higher rate mostly due to the increased transfers from the General Fund.

***Other Tax, Fee, & Assessment Supported Funds (p.2, line 101 to 139)***

The funds on the second half of the second page of the spreadsheet, receive no general property tax support.

*Resort Tax* collections are 42% of the budgeted revenues as of September 30, 2017. Compared to the prior year there is a sizeable increase in revenue. Expenditures on the other hand are significantly lower due to the timing of the Somers Avenue Project and other approved capital projects.

*Street and Alley* operations continue to be in good financial condition. Revenues increased by 10%, or \$25,816 (J108), which is primarily right-of-way fees paid by Water and Wastewater. Expenditures increased by 13% because of the Central Avenue Street Reconstruction Project starting and other repair and maintenance items that needed to be completed during the first quarter.

During the first quarter, the *Tax Increment Fund* again had an expected, but significant decrease in cash balance of 47% or \$788,577 (J112). This significant decrease was the result of the planned year-end transfer of cash from the TIF Fund to the City Hall and Parking Structure Fund to help pay for the project. Overall the fund had a higher net income in the first quarter of FY18 compared to FY17.

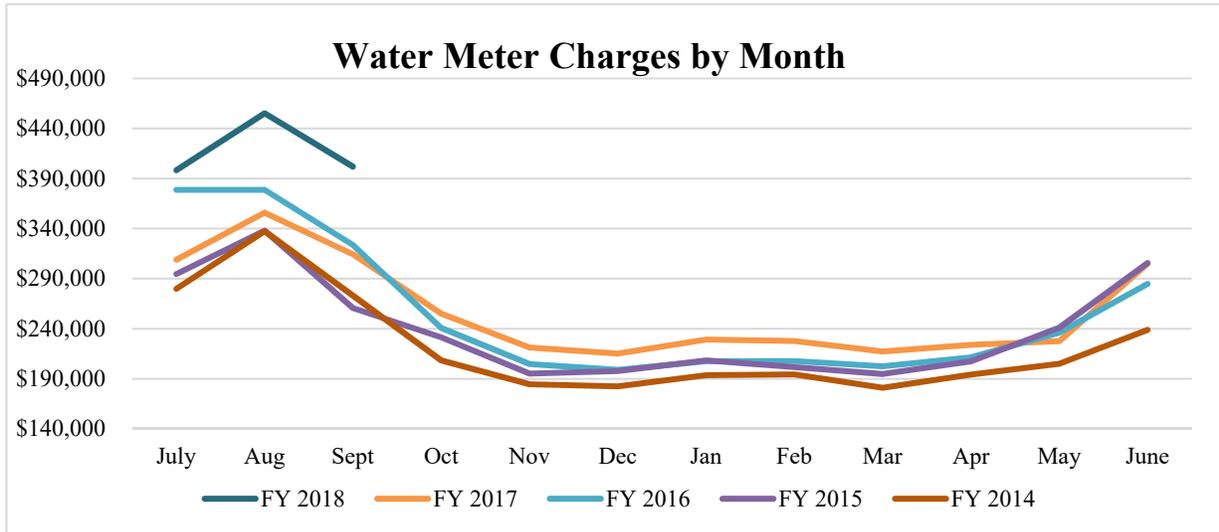
*Impact Fee Fund* revenues have increased 22%, or \$16,221 (J119), compared to the first quarter of FY17. This increase is due to increased commercial and residential development projects.

The *Building Code Fund* cash balance has decreased by about 1% compared to the first quarter of FY17. While revenues have been trending up, the Fund started FY18 with lower cash reserves. Overall, license and permit revenues are up about 23% from the prior year first quarter and total 32% of the FY18 Budget. The beginning of FY18 has seen the continuance of a strong commercial and residential development environment. Columbia Falls contract revenue is trending even higher at 68% growth compared to the first quarter of FY17.

***Enterprise Funds (p.3, line 143 to 171)***

Metered water sales are up 28%, or \$276,131, while wastewater service charges are up 28%, or \$194,469. As depicted in the graph below, water sales increased significantly in July 2017, which continued through September 2017. The opposite was true for June 2016 through September 2016

(FY17). The increase in revenue in the first quarter is attributable to the increased consumption of water by customers during this past summer, which was likely due to higher temperatures with a lack of precipitation. This change in usage also affects the wastewater rates, but not by the same degree due to irrigation being the main use of water in summer. Wastewater, however, had a significant increase in rates in October 2016, which has led to the increased revenue. Both water and wastewater revenues will continue to grow throughout this year because of the approved rate increases that went into effect as of October 1, 2017.



Capital expenditures in the Water Fund are higher than the prior year first quarter and lower in the Wastewater Fund. These amounts, however, will vary based on the projects in progress. During the first quarter, capital expenditures included the cast iron water main replacement projects, the water tank project, man hole rehabilitation, and engineering for the wastewater treatment plant upgrade.

**Summary**

Overall the City’s finances remain in good condition with areas to monitor during the remainder of the fiscal year. The City is continuing to feel the effects of the recession lifting with additional City staff positions being added in FY18, a continued increase in return on our investments, the continuation of a strong construction environment, and Resort Tax collections continuing to increase among all sectors.

If you have any questions regarding this quarterly update or would like additional information, please email me at [dsmith@cityofwhitefish.org](mailto:dsmith@cityofwhitefish.org) or give me a call at 406-863-2405.

	A	D	E	F	G	H	I	J	K
1	<b>CITY OF WHITEFISH</b>								
2	<b>Quarterly Financial Review</b>								
3	<b>1st Quarter of Fiscal Year 2018</b>								
4	<b>July 1, 2017 - September 30, 2017</b>								
5									
6		YTD		YTD		YTD			
7		Sep 30, 2015		Sep 30, 2016		Sep 30, 2017			
8			% of		% of		% of		% Chng
9		Dollars	Budget	Dollars	Budget	Dollars	Budget	Chng Prev YR	Prev Yr
10	<b>General Fund Revenues</b>								
11	Property Taxes	\$256,217	12%	\$257,496	12%	\$230,307	10%	(\$27,189)	-11%
12	Total Licenses and Permits	\$3,928	6%	\$4,399	6%	\$2,250	3%	(\$2,149)	-49%
13	Intergovernmental Revenue	\$201,949	24%	\$210,026	24%	\$210,520	24%	\$494	0%
14	Charges for Services	\$75,589	34%	\$65,676	34%	\$71,498	29%	\$5,822	9%
15	Fines and Forfeitures	\$55,826	25%	\$77,610	25%	\$87,991	35%	\$10,382	13%
16	Miscellaneous	\$1,680	3%	\$373	3%	\$11,732	13%	\$11,360	3048%
17	Investment Earnings	\$3,709	25%	\$6,502	25%	\$7,325	27%	\$823	13%
18	Resort Tax & SID Revolving Transfer In	\$0	0%	\$0	0%	\$0	0%	\$0	0%
19	<b>Total General Fund Revenues</b>	<b>\$598,899</b>	<b>14%</b>	<b>\$622,081</b>	<b>14%</b>	<b>\$621,623</b>	<b>13%</b>	<b>(\$458)</b>	<b>0%</b>
20	<b>General Fund Expenditures</b>								
21	Municipal Court	\$61,611	21%	\$70,811	21%	\$71,298	24%	\$487	1%
22	Administrative Services	\$20,990	20%	\$22,187	20%	\$54,233	37%	\$32,046	144%
23	Total Resort Tax Admin	\$5,355	82%	\$950	82%	\$77	1%	(\$873)	-92%
24	Legal Services	\$20,316	19%	\$12,388	19%	\$14,463	21%	\$2,075	17%
25	Community Planning	\$73,210	19%	\$81,080	19%	\$91,234	20%	\$10,154	13%
26	Transfer to Park Fund	\$162,809	25%	\$168,145	25%	\$175,280	25%	\$7,136	4%
27	Transfer to Law Enforcement Fund	\$521,250	25%	\$539,250	25%	\$573,171	25%	\$33,921	6%
28	Transfer to Fire Fund	\$208,750	25%	\$208,750	25%	\$182,381	25%	(\$26,369)	-13%
29	Transfer to Library Fund	\$8,593	25%	\$8,593	25%	\$8,593	25%	\$0	0%
30	Cemetery/Other	\$14,305	16%	\$15,299	16%	\$30,782	19%	\$15,484	101%
31	<b>Total General Fund Expenditures</b>	<b>\$1,097,189</b>	<b>24%</b>	<b>\$1,127,452</b>	<b>24%</b>	<b>\$1,201,514</b>	<b>25%</b>	<b>\$74,062</b>	<b>7%</b>
32	<b>General Fund Revenues Less Expenditures</b>	<b>(\$498,290)</b>		<b>(\$505,371)</b>		<b>(\$579,890)</b>		<b>(\$74,520)</b>	<b>-15%</b>
33	<b>General Fund Operating Cash Balance</b>	<b>\$387,182</b>		<b>\$175,361</b>		<b>\$199,402</b>		<b>\$24,041</b>	<b>14%</b>
34									
35	<b>Prop Tax Supported Funds (no General) Net</b>	<b>\$23,992</b>		<b>(\$85,921)</b>		<b>\$103,638</b>		<b>\$189,559</b>	
36	<b>Prop Tax Supported Funds (no General) Cash</b>	<b>\$326,116</b>		<b>\$167,895</b>		<b>\$234,804</b>		<b>\$66,910</b>	
37									
38	<b>Total General &amp; Prop Tax Supported Funds Net</b>	<b>(\$474,299)</b>		<b>(\$591,291)</b>		<b>(\$476,252)</b>		<b>\$115,039</b>	
39	<b>Total General &amp; Prop Tax Supported Funds Cash</b>	<b>\$713,298</b>		<b>\$343,255</b>		<b>\$434,206</b>		<b>\$90,951</b>	



**General Fund Cash Balance**



	A	D	E	F	G	H	I	J	K
68		Sep 30, 2015		Sep 30, 2016		Sep 30, 2017			
69	Property Tax Supported Funds	Dollars	% of Budget	Dollars	% of Budget	Dollars	% of Budget	Chng Prev YR	% Chng Prev Yr
71	Parks and Rec Operating Cash Balance	(\$116,917)		(\$50,502)		(\$40,434)		\$10,068	20%
72	Parks, Rec & Community Services Revenues	\$313,004	17%	\$279,740	17%	\$292,690	18%	\$12,950	5%
73	Parks, Rec & Community Services Exp.	\$505,877	29%	\$411,268	29%	\$441,452	27%	\$30,184	7%
74	Revenues less Expenditures	(\$192,872)		(\$131,528)		(\$148,762)		(\$17,233)	
75									
76	Law Enforcement Operating Cash Balance	\$68,785		\$26,720		\$63,336		\$36,616	137%
77	Law Enforcement Revenues	\$541,148	21%	\$563,930	21%	\$641,645	26%	\$77,715	14%
78	Law Enforcement Expenditures	\$439,541	17%	\$514,638	17%	\$536,517	22%	\$21,879	4%
79	Revenues less Expenditures	\$101,607		\$49,293		\$105,128		\$55,836	
80									
81	Library Operating Cash Balance	\$79,966		\$82,603		\$63,609		(\$18,994)	-23%
82	Library Revenues	\$35,024	16%	\$33,686	16%	\$29,471	12%	(\$4,215)	-13%
83	Library Expenditures	\$51,727	20%	\$58,597	20%	\$65,475	22%	\$6,878	12%
84	Revenues less Expenditures	(\$16,703)		(\$24,911)		(\$36,004)		(\$11,093)	
85									
86	Fire & Ambulance Cash Balance	\$294,282		\$109,073		\$148,293		\$39,220	36%
87	Fire & Ambulance Taxes, Penalty and Interest	\$70,046	14%	\$59,897	14%	\$62,923	11%	\$3,026	5%
88	Ambulance Services Revenue	\$183,204	17%	\$313,726	17%	\$435,206	32%	\$121,480	39%
89	Total Fire & Ambulance Revenue	\$674,555	19%	\$747,892	19%	\$908,429	27%	\$160,537	21%
90	Fire & Ambulance Expenditures	\$542,595	15%	\$726,665	15%	\$725,153	22%	(\$1,512)	0%
91	Revenues less Expenditures	\$131,959		\$21,226		\$183,276		\$162,050	
92									
93	<b>Total Property Tax Supported Funds (not including General Fund)</b>								
94	Total Property Tax Supported Cash	\$326,116		\$167,895		\$234,804		\$66,910	40%
95	Total Property Tax Supported Revenue	\$1,563,732		\$1,625,247		\$1,872,235		\$246,988	15%
96	Total Property Tax Supported Expenditures	\$1,539,740		\$1,711,168		\$1,768,596		\$57,429	3%
97	Revenues less Expenditures	\$23,992		(\$85,921)		\$103,638		\$189,559	
98									
99	<b>Other Tax, Fee &amp; Assessment Supported Funds</b>								
100									
101	Resort Tax Operating Cash Balance	\$2,681,501		\$1,691,978		\$2,979,987		\$1,288,010	76%
102	Resort Tax Collections	\$1,095,892	33%	\$1,397,750	33%	\$1,548,854	42%	\$151,104	11%
103	Resort Tax Investment Earnings	\$1,162	23%	\$2,198	23%	\$4,289	66%	\$2,090	95%
104	Resort Tax Expenditures and Transfers	\$74,802	1%	\$1,617,519	1%	\$408,586	10%	(\$1,208,933)	-75%
105	Revenues less Expenditures	\$1,022,253		(\$217,571)		\$1,144,557		\$1,362,128	
106									
107	Street and Alley Operating Cash Balance	\$1,005,848		\$1,251,653		\$1,356,051		\$104,398	8%
108	Street and Alley Revenues	\$272,584	20%	\$261,009	20%	\$286,825	19%	\$25,816	10%
109	Street and Alley Expenditures	\$685,405	32%	\$223,564	32%	\$252,786	12%	\$29,222	13%
110	Revenues less Expenditures	(\$412,821)		\$37,445		\$34,039		(\$3,406)	
111									
112	Tax Increment Operating Cash Balance	\$2,866,937		\$1,660,920		\$872,344		(\$788,577)	-47%
113	Tax Increment Property Taxes, Penalty & Interest	\$783,324	15%	\$859,430	15%	\$826,572	14%	(\$32,858)	-4%
114	Total Tax Increment Revenues	\$788,756	14%	\$864,644	14%	\$841,986	13%	(\$22,658)	-3%
115	Tax Increment Expenditures & Transfers	\$355,697	5%	\$225,191	5%	\$77,904	1%	(\$147,287)	-65%
116	Revenues less Expenditures	\$433,059		\$639,453		\$764,082		\$124,628	
117									
118	Impact Fees Cash Balance	\$529,586		\$409,488		\$218,138		(\$191,350)	-47%
119	Impact Fee Collections - Revenues	\$129,282	55%	\$72,275	55%	\$88,496	47%	\$16,221	22%
120	Impact Fee Collections - Expenditures	\$0	0%	\$12,801	0%	\$0	0%	(\$12,801)	0%
121	Revenues less Expenditures	\$129,282		\$59,474		\$88,496		\$29,022	
122									
123	Street Lighting #1 Operating Cash Balance	\$34,448		\$28,411		\$29,047		\$637	2%
124	Street Lighting District #1 (Rsdntl) Revenues	\$9,538	12%	\$8,865	12%	\$9,965	11%	\$1,100	12%
125	Street Lighting District #1 (Rsdntl) Exp.	\$17,699	22%	\$16,826	22%	\$16,123	17%	(\$703)	-4%
126	Revenues less Expenditures	(\$8,162)		(\$7,961)		(\$6,158)		\$1,803	
127									
128	Street Lighting #4 Operating Cash Balance	\$12,621		\$10,248		\$6,680		(\$3,568)	-35%
129	Street Lighting District #4 (Cmmrcial) Revenues	\$10,048	14%	\$10,724	14%	\$11,438	13%	\$715	7%
130	Street Lighting District #4 (Cmmrcial) Exp.	\$15,926	19%	\$11,504	19%	\$18,505	21%	\$7,001	61%
131	Revenues less Expenditures	(\$5,878)		(\$780)		(\$7,066)		(\$6,286)	
132									
133	Building Code Operating Cash Balance	\$98,942		\$212,732		\$211,188		(\$1,544)	-1%
134	Payable to the General Fund	(\$21,158)		\$0		\$0		\$0	0%
135	License and Permits Revenues	\$159,617	30%	\$112,878	30%	\$138,882	32%	\$26,004	23%
136	Building Code Expenditures without C. Falls	\$76,619	17%	\$74,504	17%	\$90,380	20%	\$15,876	21%
137	Columbia Falls Contract Revenues	\$18,877	38%	\$18,498	38%	\$31,143	52%	\$12,644	68%
138	Columbia Falls Contract Expenditures	\$7,502	18%	\$9,441	18%	\$11,892	22%	\$2,450	26%
139	Revenues less Expenditures	\$94,373		\$47,431		\$67,752		\$20,321	

