

Staff Report



To: Mayor Muhlfeld and City Councilors
From: Dana Smith, City Manager
Date: February 11, 2020
Re: 2nd Quarter (Mid-Year) Financial Report for Fiscal Year 2020

This quarterly financial report provides a summary version of the financial results of the City during the second quarter of fiscal year 2020. 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 second quarter ended December 31, 2019.

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 FY18 second quarter cash balance in column (a), the FY19 second quarter cash balance in column (b) and the FY20 second quarter cash balance in column (c) for comparison purposes.

	<i>a</i>	<i>b</i>	<i>c</i>	<i>d (c-b)</i>
	Dec 31, 2017	Dec 31, 2018	Dec 31, 2019	One Year
	Cash Balance	Cash Balance	Cash Balance	Change
General	\$1,519,199	\$11,950,639	\$2,316,630	\$365,991
Parks & Recreation	\$47,341	(\$44,945)	\$67,162	\$112,107
Law Enforcement	\$62,390	\$60,538	\$103,507	\$42,968
Library	\$87,845	\$71,885	\$49,942	(\$21,943)
Fire & Ambulance	\$181,134	\$90,013	(\$68,866)	(\$158,879)
	\$1,897,909	\$2,128,131	\$2,468,375	\$340,244

Total cash in property tax supported funds as of December 31, 2019, increased by \$340,244 or 16% compared to the balance on December 31, 2018. The changes in each property tax supported fund from the prior year second quarter and the first quarter of FY20 are discussed in detail below.

General Fund – The General Fund cash balance compared to a year ago has increased by \$365,991 or %19. The increase in cash balance is primarily due to the General Fund starting the fiscal year off with more cash than the prior year and the increased revenue from property taxes. As cash reserves in the General Fund continue to increase through future budget cycles, cash in the second quarter will also be expected to increase each year.

Parks & Recreation Fund – The Parks & Recreation Fund continues to see improvement in cash balance with positive cash balance returning in the second quarter. FY19 was unique decrease in cash due to the timing of the purchase of the bucket truck and the receipt of expected revenues. In addition, Whitefish Legacy Partners will be submitting a payment soon for operating and maintenance expenditures made in the first half of this fiscal year. Taking into consideration the \$25,868 due from Whitefish Legacy Partners, the cash balance for the Parks & Recreation Fund would be \$93,029. The improvement noted this year is

also attributed to the increase in transfers from the General Fund and the increase in the Parks and Greenway Maintenance Assessment.

Law Enforcement Fund – There was an overall increase in the cash balance of \$42,968, or 71%, compared to the December 31st balance in the prior year. The increase in cash balance is the result of increased transfers from the General Fund. Revenue also continued to exceed expenditures for the quarter by \$80,194 (H78). Furthermore, Whitefish School District’s contribution for the SRO position will be billed closer to the end of the year since we no longer have the COPS grant funding so that will further help offset costs that have been incurred to-date.

Library Fund – The Library Fund has continued to see a decrease in cash balance during the second quarter. The decrease of \$21,943 has increased from the 1st quarter and is due to expenditures continuing to exceed revenues. This trend has been on-going for the past three years due to required maintenance and the Library Board is aware of the situation. The decrease in cash balance is a concern and will need to be addressed when preparing for the FY21 Budget. Cash reserves are expected to be at an all-time low of \$7,410 at the end of FY20.

Fire & Ambulance Fund – The Fire and Ambulance Fund ended the second quarter of FY20 significantly lower than the prior year by \$158,879, or -177%. The balance has also remained negative since the first quarter. When having a negative cash balance, we must temporarily borrow from the General Fund to pay bills, which is not ideal. While a few issues that have caused an overall decrease such as starting the new fiscal year off with about \$20,000 less than the prior year and the City still waiting for a payment from the State of California to reimburse us for costs to send a crew to fight fires in California and backfill our positions locally, the main reason for the negative cash balance is due to the timing of the Fire Service Area semi-annual payment. We received \$149,636 from the Fire Service Area in January instead of December. Therefore, had the payment been received in December, that cash balance would have been positive and not as significantly down from the prior year. So, I’m happy to report that the concern for this Fund is not as significant as it may appear at first glance. However, that being said, the Fire and Ambulance Fund is budgeted to end the year with only \$2,598.

Summary of Property Tax Supported Funds – Overall the City’s finances continue to improve each year as we build reserves to ensure the City’s financial resilience for the next economic slow-down. I continue to recommend increasing our reserve balance to 20% of property tax supported funds, which is standard among many communities.

Financial Highlights

- We continue to see growth in the Municipal Court Fines and Forfeitures. These revenues are currently at 48% of the FY20 Budget (F13) and have increased 19% from the second quarter of the prior year (I13).
- Resort Tax collections are 64% of the FY20 Budget after the second quarter and total \$167,569 more than December 31, 2018. Overall, we continue to see growth in our collections so it is anticipated that by year-end we will have collected more than the prior year.
- Ambulance Service Charges are 51% of the budget, but down 8%, or -\$70,006 (H87). These revenues change based on call volume and types of calls, but we are at the expected revenue to budget so there is little concern with the decrease right now. We will continue to monitor this decrease in revenues due to the possibility of the trend continuing with interfacility transfer first going to the Evergreen Fire Department instead of the Whitefish Fire Department.

- License and permit revenues in the Building Code Fund (F131) are up about 48% from the prior year second quarter and total 105% of the FY20 Budget. The beginning half of FY20 has proven to be a very strong start for the fiscal year and it is anticipated to continue throughout the year. Columbia Falls Contract Revenue has now increased slightly from last year in the second quarter by about 9% and is about 93% of the budgeted revenue.
- With the new Impact Fee rates, revenue is down \$256,759 or 67% (I117). This change is expected since many of these rates significantly decreased. While projections for these revenues were difficult, the Impact Fee revenue is mostly tracking along with the FY20 Budget as follows: Paved Trails (35% of budget), Park Maintenance Building (346% of budget), Emergency Service Center (266% of budget), City Hall (26% of budget), and Stormwater (78% of budget).
- Water impact fees are at 114%, while wastewater impact fees are at 145% of the FY20 Budget. Like other impact fees the rates were changed before the start of the fiscal year, but Water was increased during FY20 due to increased capital needs. While it was anticipated that we would see an increase in revenue due to the increase in rates, these revenues also track with building permits, so these revenues are also much higher than projected.
- As of September 30, 2020, zoning plan review fees were at 104% of the expected revenue for FY20, while planning fees have slowed somewhat from the first quarter and are about 41% of the budget.
- Investment earnings continue to exceed the prior year second quarter, but we have seen a continued decrease in rates in recent months. This trend of growth over the prior year will likely slow as the Federal Reserve is likely to cut rates one more time before a likely stagnant period during the Presidential campaign/election. While investment earnings are a great source of income, it is not always a steady source. We continue to monitor our investing strategies as the State's Short-term Investment Pool (STIP) continues to decrease from the high of around 2.49% in February 2019 to 1.72% in December 2019. However, the 1.72% is still far from the 0.10% we were earning in 2014.

Expenditure Review

Total expenditures by fund were mostly at or below the anticipated percentage of budget authority to be used (40-55% for most funds) as of December 31, 2019. Of those that exceed expectations it was due to the timing of capital improvements or bulk orders of supplies for the remainder of the fiscal year.

In addition to the fund totals, a review of line-items revealed very few issues. The timing of weather and programs can also skew the percentage of budget used at the end of the second quarter. For example, more trail work and construction projects are completed during the first part of the fiscal year during the summer and fall months. We will continue to monitor operating supplies, repair and maintenance expenses, and overtime as these tend to be more heavily used line-items.

Capital expenditures in the Water and Wastewater Funds are higher than the prior year's second quarter. These amounts, however, will vary based on the projects in progress. During the second quarter, capital expenditures included the water treatment plant expansion project design, water main improvements, Glenwood Estates sewer improvements, and final design and engineering for the wastewater treatment plant upgrade. The wastewater treatment plan upgrade will primarily be financed with revenue bonds through the State Revolving Fund (SRF) loan program. We anticipate a bond resolution coming to the City Council for consideration in early April.

Financial Outlook

Overall the City's finances continue to improve with some minor areas to monitor during the remainder of the fiscal year. The City continues to see a good return on investments, the continuation of a strong building environment, and a steady increase in Resort Tax collections.

As we enter the early stages of the 5-Year Capital Improvement Plan update and begin preparing for the FY21 Budget, we look forward to the challenge of preparing a budget that not only provides for the expected levels of service from our visitors and citizens of Whitefish, but also takes into consideration the possibilities for growth and increased fortitude of the City's finances. The FY21 Budget will be unique as we address the sunset of our only Tax Increment Financing District.

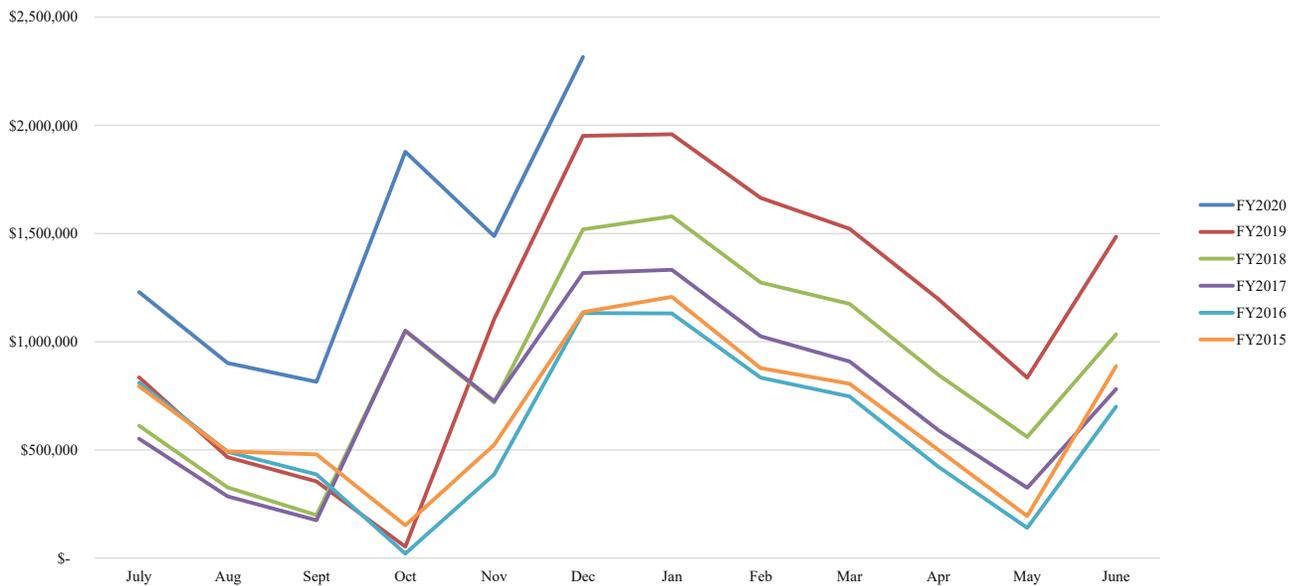
If you have any questions regarding this quarterly update or would like additional information, please email me at dsmith@cityofwhitefish.org or call me at 406-863-2406.

City of Whitefish
 Quarterly Financial Review
 Second Quarter of Fiscal Year 2020
 October 1, 2019 - December 31, 2019



	YTD Dec 31, 2017		YTD Dec 31, 2018		YTD Dec 31, 2019			
	Dollars	% of Budget	Dollars	% of Budget	Dollars	% of Budget	Chng Prev YR	% Chng Prev Yr
General Fund Revenues								
Property Taxes	\$1,095,034	50%	\$1,156,400	50%	\$1,138,991	50%	(\$17,409)	-2%
Total Licenses and Permits	\$34,431	51%	\$86,289	72%	\$94,543	65%	\$8,254	10%
Intergovernmental Revenue	\$438,291	50%	\$446,355	50%	\$465,040	50%	\$18,685	4%
Charges for Services	\$182,133	73%	\$165,105	63%	\$190,509	74%	\$25,404	15%
Fines and Forfeitures	\$152,770	61%	\$147,169	42%	\$172,222	48%	\$25,052	17%
Miscellaneous	\$45,540	49%	\$40,693	46%	\$22,784	26%	(\$17,909)	-44%
Investment Earnings	\$16,683	62%	\$36,019	80%	\$49,949	59%	\$13,930	39%
Resort Tax Transfer In	\$1,176,819	100%	\$1,370,121	100%	\$1,395,289	100%	\$25,168	2%
Total General Fund Revenues	\$3,141,702	63%	\$3,448,151	64%	\$3,529,326	64%	\$81,175	2%
General Fund Expenditures								
Municipal Court	\$137,295	45%	\$150,510	49%	\$143,692	45%	(\$6,819)	-5%
Administrative Services	\$79,492	54%	\$60,397	41%	\$90,012	48%	\$29,615	49%
Legal Services	\$29,640	44%	\$31,257	44%	\$33,253	43%	\$1,996	6%
Community Planning	\$187,832	41%	\$238,500	45%	\$255,801	45%	\$17,301	7%
Transfer to Park Fund	\$350,561	50%	\$396,995	50%	\$409,302	50%	\$12,307	3%
Transfer to Law Enforcement Fund	\$1,146,343	50%	\$1,183,431	50%	\$1,272,618	50%	\$89,187	8%
Transfer to Fire Fund	\$364,763	50%	\$350,190	50%	\$426,546	50%	\$76,356	22%
Transfer to Library Fund	\$17,186	50%	\$17,186	50%	\$17,186	50%	\$0	0%
Cemetery/Other	\$64,062	43%	\$66,458	33%	\$47,458	22%	(\$19,000)	-29%
Total General Fund Expenditures	\$2,377,173	48%	\$2,494,924	48%	\$2,695,866	48%	\$200,943	8%
General Fund Revenues Less Expenditures	\$764,529		\$953,227		\$833,460		(\$119,767)	-13%
General Fund Operating Cash Balance	\$1,519,199		\$1,950,639		\$2,316,630		\$365,991	19%
Prop Tax Supported Funds (no General) Net	\$160,237		(\$64,969)		(\$126,952)		(\$61,984)	
Prop Tax Supported Funds (no General) Cash	\$378,710		\$177,492		\$151,744		(\$25,748)	
Total General & Prop Tax Supported Funds Net	\$924,767		\$888,258		\$706,507		(\$181,751)	
Total General & Prop Tax Supported Funds Cash	\$1,897,910		\$2,128,131		\$2,468,375		\$340,244	

General Fund Cash Balance Trend



	A	B	C	D	E	F	G	H	I
67	Property Tax Supported Funds	YTD Dec 31, 2017	% of Budget	YTD Dec 31, 2018	% of Budget	YTD Dec 31, 2019	% of Budget	Chng Prev YR	% Chng Prev Yr
68		Dollars		Dollars		Dollars			
70	Parks and Rec Operating Cash Balance	\$47,341		(\$44,945)		\$67,162		\$112,107	249%
71	Parks, Rec & Community Services Revenues	\$667,975	41%	\$757,212	46%	\$839,546	48%	\$82,334	11%
72	Parks, Rec & Community Services Exp.	\$726,618	44%	\$940,013	52%	\$847,422	49%	(\$92,591)	-10%
73	Revenues less Expenditures	(\$58,643)		(\$182,801)		(\$7,876)		\$174,925	
74									
75	Law Enforcement Operating Cash Balance	\$62,390		\$60,539		\$103,507		\$42,968	71%
76	Law Enforcement Revenues	\$1,224,459	49%	\$1,264,408	48%	\$1,377,783	49%	\$113,375	9%
77	Law Enforcement Expenditures	\$1,144,555	46%	\$1,233,631	47%	\$1,266,812	45%	\$33,181	3%
78	Revenues less Expenditures	\$79,903		\$30,777		\$110,971		\$80,194	
79									
80	Library Operating Cash Balance	\$87,845		\$71,885		\$49,942		(\$21,943)	-31%
81	Library Revenues	\$109,481	44%	\$119,249	48%	\$119,186	45%	(\$62)	0%
82	Library Expenditures	\$121,046	40%	\$125,179	41%	\$132,867	42%	\$7,688	6%
83	Revenues less Expenditures	(\$11,565)		(\$5,930)		(\$13,681)		(\$7,750)	
84									
85	Fire & Ambulance Cash Balance	\$181,134		\$90,013		(\$68,866)		(\$158,879)	-177%
86	Fire & Ambulance Taxes, Penalty and Interest	\$299,807	50%	\$315,447	52%	\$318,779	49%	\$3,332	1%
87	Ambulance Services Revenue	\$729,022	53%	\$860,387	58%	\$790,292	51%	(\$70,096)	-8%
88	Total Fire & Ambulance Revenue	\$1,630,333	49%	\$1,762,380	54%	\$1,674,270	46%	(\$88,110)	-5%
89	Fire & Ambulance Expenditures	\$1,479,792	45%	\$1,669,394	51%	\$1,890,636	51%	\$221,242	13%
90	Revenues less Expenditures	\$150,541		\$92,986		(\$216,367)		(\$309,352)	
91									
92	Total Property Tax Supported Funds (not including General Fund)								
93	Total Property Tax Supported Cash	\$378,710		\$177,492		\$151,744		(\$25,748)	-15%
94	Total Property Tax Supported Revenue	\$3,632,248		\$3,903,248		\$4,010,785		\$107,537	3%
95	Total Property Tax Supported Expenditures	\$3,472,010		\$3,968,217		\$4,137,737		\$169,520	4%
96	Revenues less Expenditures	\$160,237		(\$64,969)		(\$126,952)		(\$61,984)	
97									
98	Other Tax, Fee & Assessment Supported Funds								
99	Resort Tax Operating Cash Balance	\$2,372,241		\$2,213,632		\$2,135,282		(\$78,350)	-4%
100	Resort Tax Collections	\$2,399,531	65%	\$2,565,868	64%	\$2,733,437	64%	\$167,569	7%
101	Resort Tax Investment Earnings	\$9,740	150%	\$22,692	96%	\$20,811	50%	(\$1,881)	-8%
102	Resort Tax Expenditures and Transfers	\$1,711,728	46%	\$3,018,729	79%	\$3,650,944	67%	\$632,215	21%
103	Revenues less Expenditures	\$697,543		(\$430,169)		(\$896,696)		(\$466,527)	
104									
105	Street and Alley Operating Cash Balance	\$1,562,808		\$1,309,641		\$1,810,756		\$501,115	38%
106	Street and Alley Revenues	\$768,810	51%	\$872,505	55%	\$919,770	53%	\$47,265	5%
107	Street and Alley Expenditures	\$546,553	25%	\$627,306	38%	\$548,151	40%	(\$79,155)	-13%
108	Revenues less Expenditures	\$222,257		\$245,199		\$371,619		\$126,420	
109									
110	Tax Increment Operating Cash Balance	\$1,036,534		\$1,029,695		\$2,576,318		\$1,546,623	150%
111	Tax Increment Property Taxes, Penalty & Interest	\$3,028,370	50%	\$3,509,854	53%	\$3,614,600	48%	\$104,746	3%
112	Total Tax Increment Revenues	\$3,206,948	49%	\$3,684,404	49%	\$4,245,364	51%	\$560,960	15%
113	Tax Increment Expenditures & Transfers	\$2,109,343	32%	\$2,984,760	39%	\$2,352,590	26%	(\$632,170)	-21%
114	Revenues less Expenditures	\$1,097,605		\$699,644		\$1,892,774		\$1,193,130	
115									
116	Impact Fees Cash Balance	\$256,704		\$642,837		\$574,378		(\$68,459)	-11%
117	Impact Fee Collections - Revenues	\$166,848	89%	\$380,928	168%	\$124,169	71%	(\$256,759)	-67%
118	Impact Fee Collections - Expenditures	\$39,822	28%	\$31,140	7%	\$8,311	3%	(\$22,829)	-73%
119	Revenues less Expenditures	\$127,026		\$349,788		\$115,858		(\$233,930)	
120									
121	Street Lighting #1 Operating Cash Balance	\$46,177		\$61,842		\$35,227		(\$26,616)	-43%
122	Street Lighting District #1 (Rsdntl) Revenues	\$48,994	53%	\$53,783	47%	\$54,650	46%	\$868	2%
123	Street Lighting District #1 (Rsdntl) Exp.	\$37,988	40%	\$36,625	26%	\$62,541	72%	\$25,916	71%
124	Revenues less Expenditures	\$11,006		\$17,158		(\$7,891)		(\$25,049)	
125									
126	Street Lighting #4 Operating Cash Balance	\$15,077		\$24,797		\$77,257		\$52,460	212%
127	Street Lighting District #4 (Cmmrcial) Revenues	\$44,212	49%	\$47,770	51%	\$59,104	59%	\$11,334	24%
128	Street Lighting District #4 (Cmmrcial) Exp.	\$42,846	49%	\$21,810	33%	\$29,223	49%	\$7,413	34%
129	Revenues less Expenditures	\$1,366		\$25,960		\$29,882		\$3,921	
130									
131	Building Codes Operating Cash Balance	\$235,669		\$384,941		\$820,169		\$435,228	113%
132	License and Permits Revenues	\$254,482	58%	\$311,248	71%	\$461,150	105%	\$149,902	48%
133	Building Codes Expenditures without C. Falls	\$177,985	39%	\$202,365	46%	\$209,507	41%	\$7,142	4%
134	Columbia Falls Contract Revenues	\$39,943	67%	\$55,763	86%	\$60,683	93%	\$4,920	9%
135	Columbia Falls Contract Expenditures	\$23,576	44%	\$25,489	45%	\$26,861	45%	\$1,372	5%
136	Revenues less Expenditures	\$92,864		\$139,156		\$285,465		\$146,309	
137									
138	Stormwater Cash Balance	\$657,899		\$747,689		\$964,076		\$216,387	29%
139	Stormwater Revenues	\$39,296	53%	\$163,716	45%	\$220,420	49%	\$56,704	35%
140	Stormwater Expenditures	\$11,154	8%	\$81,307	19%	\$97,972	13%	\$16,665	20%
141	Revenues less Expenditures	\$28,142		\$82,409		\$122,448		\$40,039	

