

Staff Report



To: Mayor John Muhlfeld and City Councilors
From: Dana Smith, Finance Director
Date: January 22, 2015
Re: Second Quarter Financial Report for Fiscal Year 2015

This quarterly financial report provides a summary version of the financial results of the City for the first half of fiscal year 2015. The first section is an overview of the City's financial condition specifically related to property tax supported funds. Subsequent sections further describe analysis and details of the second quarter ended December 31, 2014.

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 FY13 second quarter cash balance in column (a), the FY14 second quarter cash balance in column (b) and the FY15 second 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>
	Dec 31, 2012 Cash Balance	Dec 31, 2013 Cash Balance	Dec 31, 2014 Cash Balance	One Year Change
General	\$1,019,892	\$1,158,818	\$1,142,108	(\$16,710)
Parks & Recreation	(\$188,871)	(\$104,639)	(\$24,691)	\$79,948
Law Enforcement	\$72,153	\$29,614	(\$2,890)	(\$32,504)
Library	\$2,475	\$23,138	\$74,633	\$51,495
Fire & Ambulance	\$501,168	\$292,149	\$217,949	(\$74,200)
Building	<u>\$41,549</u>	<u>\$170,213</u>	<u>\$136,142</u>	<u>(\$34,071)</u>
	\$1,448,366	\$1,569,293	\$1,543,251	(\$26,042)

Total cash in property tax supported funds as of December 31, 2014 decreased by \$26,042 or 1.66% compared to the balance on December 31, 2013. This decrease is primarily due to an advance payment on the new water tender fire apparatus, which will be partially financed through an INTERCAP Loan in January of 2015. The City continues to be in good financial condition and revenues and expenditures are tracking as expected with some minor deviations discussed within this report. The significant changes per fund in cash balances from the prior year-to-date are discussed in detail below.

General Fund – The General Fund cash balance compared to the prior year decreased by \$16,710 or 1.44%. Despite the slight decrease in the cash balance, revenues continued to exceed expenditures by \$233,251.

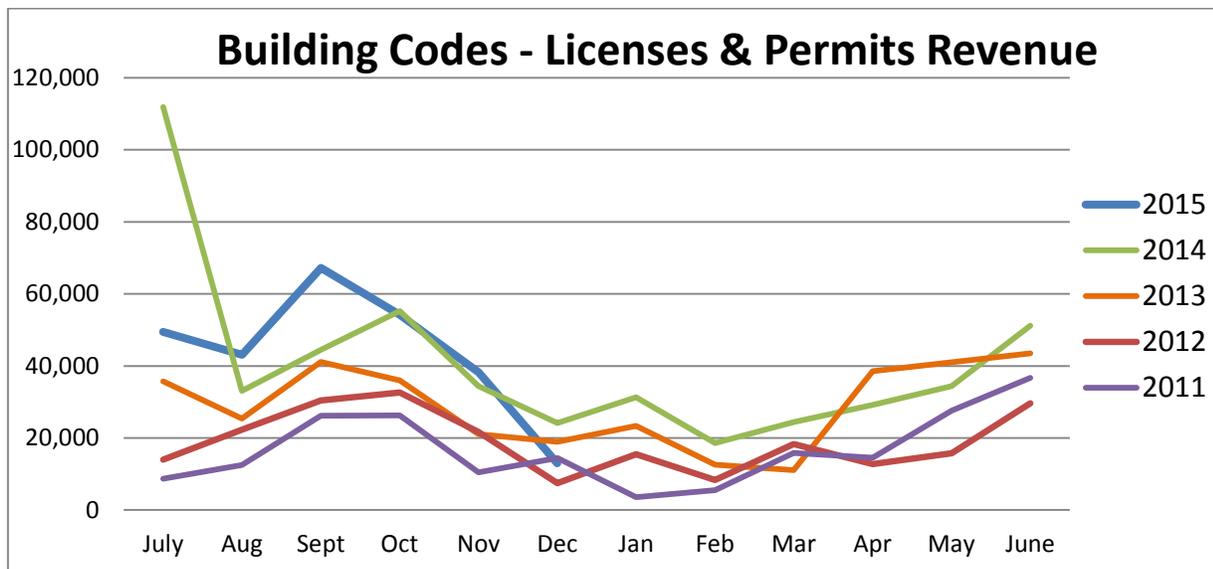
Parks & Recreation Fund – Although Parks & Recreation had negative cash as of December 31, 2014, the balance compared to the prior year has improved by \$79,948 or 76.4%. Approximately \$12,300 of the negative cash balance is expected to be collected for the Whitefish Trail operating costs incurred to date. The Department continues to strive to make each recreation program self-supporting and has demonstrated this through the change in the ice rink’s net revenues at the end of the second quarter. At December 31, 2013, expenditures exceeded revenues by about \$73,400, but as of December 31, 2014, expenditures exceeded revenues by only \$9,321. This change is a \$64,164 improvement in net revenues compared to the prior year.

Law Enforcement Fund – As expected the Fund had an overall decrease in the cash balance. This change is due to the FY14 and FY15 budgets both permitting the spending of cash on hand. In addition, the expenditures exceeded revenues at the end of the second quarter. However, additional grant monies are expected to be received in the coming months for expenditures that were made in the second quarter. This timing difference is typical for reimbursement grants.

Fire & Ambulance Fund – Similar to the Law Enforcement Fund, the Fire and Ambulance Fund started the year off with a lower cash balance than prior years due to the use of cash on hand in FY14. In addition, with the purchase of the new water tender apparatus, the Fire & Ambulance Fund had a partial pre-payment of \$126,879 in the first quarter. The second payment is expected to be made by the end of January in the amount of \$157,915 with total loan proceeds of \$211,000. Therefore, cash will be increased by \$53,085 when the loan proceeds are distributed to the City.

Building Fund – Although not directly supported by property tax revenues, in prior years the Building Fund received loans from the General Fund to support operations during the recession. The loans were essentially comprised of property tax revenue. Monitoring the financial condition of the Building Fund is important as it looks to repay the loan from the General Fund. With the continued higher revenue amounts (see below), the Building Fund is expected to pay-off a portion, if not all, of the remaining loan from the General Fund of \$171,669 at the end of FY15.

In July of FY14, the license and permit revenue in the Building Fund received an unusually large amount of revenue. This dramatic increase was the result of one significant project (high school) in the City that brought in approximately \$52,186 in licenses and permit revenue. When comparing the prior second quarter balances with this year’s second quarter, a notable decrease in revenue occurred. Licenses and permit revenue, however, was at 67% of the budgeted revenue at the end of the second quarter in FY15. In addition, the cash balance in the Building Fund for the second quarter of FY15 is up 228% compared to FY13.



Financial Highlights

- The Columbia Falls Building Code Contract revenues are 28% higher than the prior year and are already at 104% of the FY15 Budget.
- Ambulance Service Charges are approximately 6% higher than the previous year's second quarter and are tracking as expected at 51% of the budgeted revenue.
- Zoning Plan Review Fees are at 76% of the budgeted revenue to be received in FY15.
- The Resort Tax collections are up by \$65,704 or 5.23% compared to the prior year's second quarter.

Expenditure Review

The total expenditures in each fund at the end of the second quarter were at or below the expected percentage of budget authority to be used by mid-year (50%), with the exception of the Resort Tax Fund (see detail below). The following line-items will be monitored as the expenditures incurred through the second quarter of FY15 were higher than expected:

- *Street Fund*
 - Stand By/Call Back Time was 146% of the budget at the end of the second quarter. However, the total spent to-date during FY15 was only \$709 more than the prior year. The budget from FY14 to FY15 reduced the available appropriations for this line-item by \$6,324.
 - Overtime for Ice and Snow Removal was 75% of the budget at December 31, 2014, which was prior to the significant snow storm during the first part of January. Compared to the prior year-to-date, the overtime for this line-item is \$2,928 more at the end of the second quarter 2015. However, overtime required for ice and snow removal is expected to vary based on the snow fall each year. After the snow fall in the first part of January, overtime jumped to 116% of the budget. This increase in costs will be somewhat offset by the falling fuel prices.
- *Parks & Recreation Fund*
 - The City Beach Repairs and Maintenance Supplies account was 135% of the budget at the end of the first quarter. City Beach experienced some unexpected deck repairs that were made during the beginning of FY15. This account has remained the same since the first quarter, but it will likely increase when City Beach operations startup again for the summer of 2015. The overall program is at 61% of budgeted revenues, which is expected since the larger part of the season has already been completed in the beginning of FY15.
- *Law Enforcement Fund*
 - Professional Services at mid-year total \$14,721 and is 210% of appropriations for this line-item. This is primarily due to the unanticipated legal costs associated with employment matters for the Police Department.
- *Fire and Ambulance Fund*
 - Overtime expenditures at the end of the second quarter were 63% of the budget and have only slightly increased from the prior year-to-date totals.

Additional Detailed Analysis

The following discussion further highlights the attached spreadsheets.

General Fund Revenue (line 9 to 16)

Total General Fund revenues are at 58% of the FY2015 budget. However, the total General Fund revenues collected to date have decreased by 2% from the prior second quarter. This decrease is primarily due to the decreases in miscellaneous revenues and property tax relief transferred from the Resort Tax Fund.

Due to a timing difference, the miscellaneous revenues appear to have decreased in the first half of FY15 (J14) compared to the first half of FY2014. However, the significance of the decrease is much less than depicted. The FY14 second quarter numbers include the FY13 Golf Course lease payment that would have typically been paid in June of the previous fiscal year, but was actually paid in July.

When Resort Tax collections increase, the property tax relief also increases. However, due to more accurate budgeting of expected revenues in FY14, the actual property tax relief decreased. In FY13 the Resort Tax collections exceeded the budgeted revenue by a higher dollar amount, which increased the FY14 property tax relief by a significant amount. This occurs due to any amount collected over the budgeted revenues in a fiscal year are applied to property tax relief in the following year.

General Fund Expenditures, Net Revenue, & Cash (line 20 to 33)

Total General Fund expenditures are on track at 49% of the FY15 Budget. Expenditures are 7%, or \$140,196, higher than the prior mid-year point. This increase is primarily due to the approved increase in transfers from the General Fund to the Parks, Law Enforcement, and Fire/Ambulance Funds. Regardless of the decrease in revenues and the increase in expenditures, the General Fund continues to see revenues exceeding expenditures (H32).

The General Fund cash balance was \$1,142,108 compared to \$1,158,818 at the end of the prior year's second quarter (see J33). The graph on page 1 of the spreadsheets shows the General Fund cash balance trends for the current year-to-date and the past 4 years. December, January, June, and July are months that tend to have higher cash balances due to the collection of property taxes. Building cash reserves to a minimum of 10% or more each year is important to ensure an adequate cash balance throughout the year.

Other Property Tax Supported Funds (p.2, line 71 to 108)

The funds supported by property tax have continued to see revenues exceeding expenditures. Revenues were at 47% of the budget, while expenditures were 46% of the budget at the end of the second quarter.

When compared to a year ago, these funds experienced an overall decrease in cash with detailed discussion above for each fund. Also compared to the prior mid-year balances, overall revenues and expenditures have increased. A significant portion of the increase in expenditures is attributed to the pre-payment on the Fire Department's water tender that will be financed via an INTERCAP loan later this fall. Other items that have had an effect on this financial situation include the revenues that were received in FY14 for a significant project (high school) in the Building Fund were not repeated in FY15.

Other Tax, Fee, & Assessment Supported Funds (p.2, line 114 to 144)

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

Resort Tax collections are at 63% of the budgeted revenues as of the end of the second quarter while expenditures are at 57% of appropriations. Due to the timing of construction, more expenditures have been made to-date, but this appears to be right on track compared to the prior year.

Street Improvements comprise the largest portion of expenditures in the Resort Tax Fund. The following provides an analysis of the current cash balance for Street Improvements, as well as a projected cash balance as of June 30th based on the estimated expenditures to be incurred through the remainder of the fiscal year.

Resort Tax – Street Improvements

Beginning Cash as of 7/1/14	\$756,605
+ Revenues Collected as of 12/31/14 <small>(allocated 70% to Street Improvements)</small>	\$897,359
- Expenditures as of 12/31/14	<u>(\$1,166,139)</u>
Cash Balance as of 12/31/14	<u>\$487,825</u>
+ Expected Revenue Collections 1/1/15-6/30/15 <small>(allocated 70% of total budgeted revenue to Street Improvements)</small>	\$534,878
- Expected Expenditures	
E. 2 nd Street	(\$ 654,125)
W. 7 th Street	<u>(\$ 172,376)</u>
Expected Ending Cash Balance 6/30/14	<u><u>\$196,202</u></u>

Street and Alley operations are also in good financial condition with the revenues exceeding expenditures. The expenditures are 24% of the budgeted authority, which has led to a significant increase of revenues less expenditures compared to the prior year-to-date (see J123). Next spring’s street overlay project will comprise two years’ worth of work, so the cash balance is expected to come down then.

Impact Fees have seen a \$54,570 decrease (J132) from the prior year revenues at the end of the second quarter. This decrease is due to a significant increase (approximately \$60,000) in impact fees collected from one project of considerable size in the City in FY14. When compared to FY13, the FY15 impact fees are significantly higher at 38%. Impact Fee expenditures will increase during the second half of the fiscal year with the transfer to the Tax Increment Financing Fund to reimburse the costs of the ESC and other paved trail improvement expenditures.

Enterprise Funds (p.3)

Metered water sales are up only 4%, while sewer service charges up 9%. The revenue for both Water and Sewer amounts were expected to grow this year due to the approved rate increase of 3.6% for Water and Sewer rates, which became effective as of October 1, 2014.

Capital expenditures in the Water and Sewer Funds are 43% and 258% higher than the prior year-to-date, respectively. This increase is due to the continued progress on the Hwy 93 Utility Improvements Project, as well as other capital improvement projects. A total of \$3,333 of Water Impact Fees and \$436,522 of Sewer Impact Fees have been spent during the first half of FY15 relating to these capital expenditures. An additional \$201,193 has been paid with the final amounts of Plant Investment Fees in the Water fund during the first quarter.

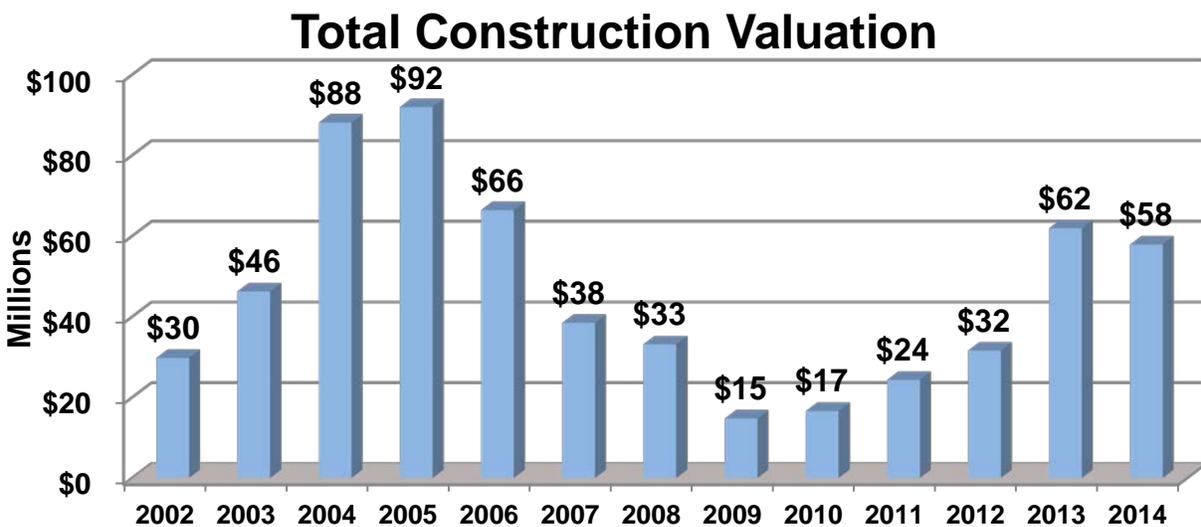
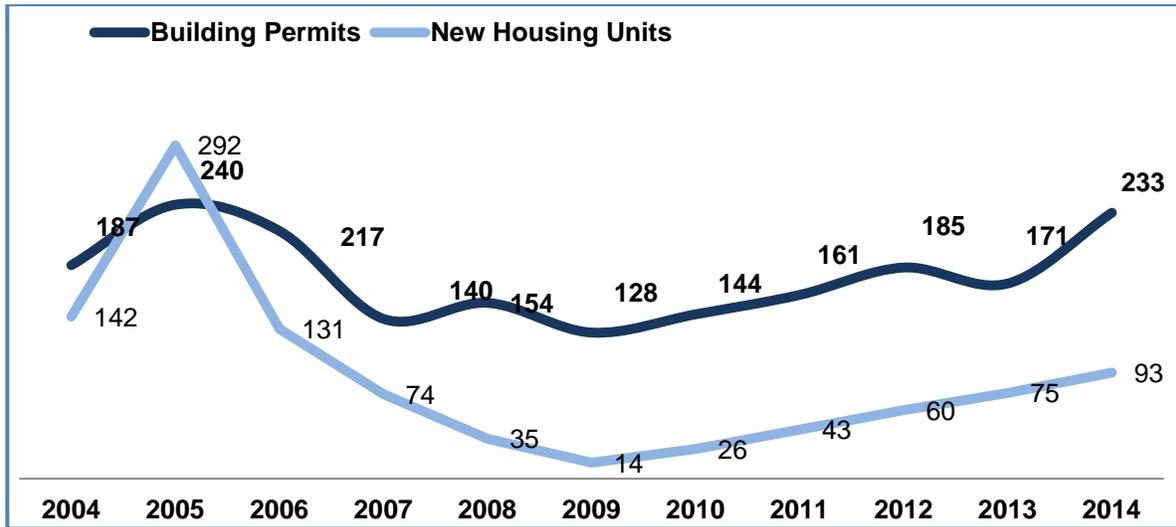
The 6% increase in Solid Waste revenues has continued into the second quarter. Revenues collected totaled 53% of the F2015 budget on December 31, 2014. The expenditures are also tracking as expected with 50% of the available appropriations expended to date.

Economic Trends

Since the recession of late 2007, the City has experienced a slow, but steady recovery. Consumer spending and new housing are both key indicators of economic activity. At mid-year FY15, economic growth is evident through the increase in Resort Tax Collections and building permits, specifically new housing.

Compared to the collections through mid-year of FY2014, Resort Tax collections are up 5.23%, or \$54,377. The increase in collections is further broken down as follows: 8.7% increase in lodging, 5.42% increase in retail, and 3.16% increase in restaurants and bars. With consumers continuing to increase spending on luxury goods and services within the City limits, it is anticipated that the Resort Tax Collections for FY2015 will exceed the prior year collections of \$2,099,470.

The following graphs depict the growth of new construction and the change in valuation within the City by calendar year.

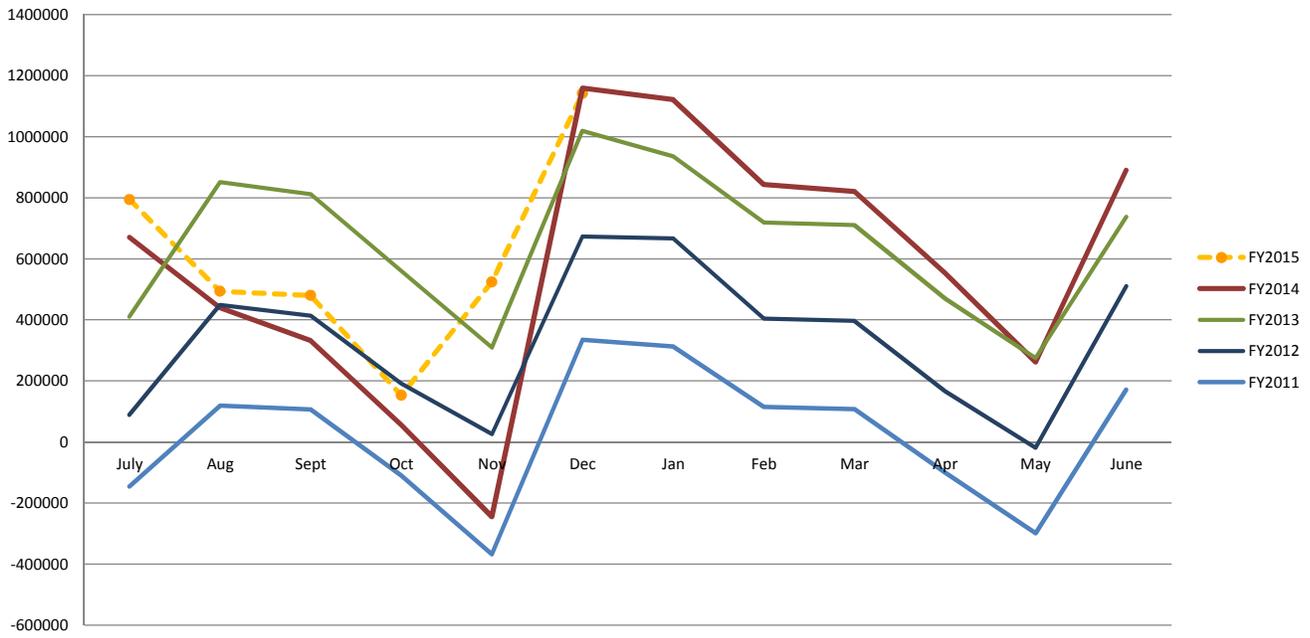


Please contact me if you have any questions regarding this report or mid-year financial results.

City of Whitefish		50% of Fiscal Year Complete							
Quarterly Financial Review		YTD		YTD		YTD			
Second Quarter of Fiscal Year 2015 (Mid-Year)		Dec 31, 2012		Dec 31, 2013		Dec 31, 2014			
October 1, 2014 - December 31, 2014									
General Fund Revenues		Dollars	% of Budget	Dollars	% of Budget	Dollars	% of Budget	Chng Prev YR	% Chng Prev Yr
9	Property Taxes	\$1,027,863	54%	\$1,008,636	52%	\$1,018,865	50%	\$10,230	1%
10	Total Licenses and Permits	\$31,243	53%	\$32,150	53%	\$33,929	56%	\$1,779	6%
11	Intergovernmental Revenue	\$394,376	52%	\$391,595	51%	\$409,425	50%	\$17,830	5%
12	Charges for Services	\$98,769	79%	\$147,915	71%	\$141,430	59%	(\$6,485)	-4%
13	Fines and Forfeitures	\$127,624	53%	\$111,112	43%	\$102,554	45%	(\$8,558)	-8%
14	Miscellaneous	\$12,707	35%	\$47,736	118%	\$8,927	19%	(\$38,809)	-81%
15	Investment Earnings	\$7,266	29%	\$13,350	67%	\$7,900	53%	(\$5,450)	-41%
16	Resort Tax & SID Revolving Transfer In	\$598,007	100%	\$693,432	100%	\$668,831	100%	(\$24,601)	-4%
17	Total General Fund Revenues	\$2,297,857	61%	\$2,445,926	61%	\$2,391,861	58%	(\$54,065)	-2%
18	General Fund Expenditures								
20	Municipal Court	\$132,229	45%	\$132,188	47%	\$133,446	45%	\$1,258	1%
21	Prosecution Services	\$43,153	44%	\$52,100	53%	\$39,256	36%	(\$12,844)	-25%
22	Administrative Services	\$32,798	46%	\$36,171	44%	\$36,785	46%	\$614	2%
23	Legal Services	\$16,411	45%	\$17,835	45%	\$19,044	45%	\$1,210	7%
24	Community Planning	\$133,352	44%	\$154,753	44%	\$151,030	38%	(\$3,723)	-2%
25	Transfer to Park Fund	\$236,000	50%	\$301,500	50%	\$374,919	54%	\$73,419	24%
26	Transfer to Law Enforcement Fund	\$897,500	50%	\$922,500	50%	\$942,500	50%	\$20,000	2%
27	Transfer to Fire Fund	\$247,297	50%	\$287,500	50%	\$407,500	50%	\$120,000	42%
28	Transfer to Library Fund	\$17,186	50%	\$17,185	50%	\$17,186	50%	\$1	0%
29	Cemetery/Other	\$31,075	50%	\$96,683	50%	\$36,944	45%	(\$59,738)	-62%
30	Total General Fund Expenditures	\$1,787,000	49%	\$2,018,414	50%	\$2,158,610	49%	\$140,196	7%
32	General Fund Revenues Less Expenditures	\$510,856		\$427,512		\$233,251		(\$194,262)	-45%
33	General Fund Operating Cash Balance	\$1,019,892		\$1,158,818		\$1,142,108		(\$16,710)	-1%
35	Prop Tax Supported Funds (no General) Net	(\$11,329)		\$73,014		\$108,300		\$35,287	
36	Prop Tax Supported Funds (no General) Cash	\$428,475		\$410,475		\$401,143		(\$9,331)	
38	Total General & Prop Tax Supported Funds Net	\$499,528		\$500,526		\$341,551		\$998	
39	Total General & Prop Tax Supported Funds Cash	\$1,448,367		\$1,569,293		\$1,543,251		(\$26,042)	



General Fund Operating Cash Balance



	A	D	E	F	G	H	I	J	K
150	Enterprise Funds	Dec 31, 2012		Dec 31, 2013		Dec 31, 2014			
151		Dollars	% of Budget	Dollars	% of Budget			Chng Prev YR	% Chng Prev Yr
152									
153	Water Operating Cash Balance	\$1,413,431		\$1,270,347		\$1,862,245		\$591,898	47%
154	Water - Metered Water Sales	\$1,364,754	58%	\$1,465,488	61%	\$1,517,536	61%	\$52,048	4%
155	Water - Operating Revenues	\$1,520,311	60%	\$1,553,669	62%	\$1,732,541	62%	\$178,872	12%
156	Water - Operating Expenditures	\$676,272	43%	\$697,533	43%	\$805,279	47%	\$107,745	15%
157	Operating Revenues less Expenditures	\$844,039		\$856,136		\$927,262		\$71,127	
159									
160	Non Operating Revenue	\$204,937	20%	\$104,529	31%	\$759	0%	(\$100,408)	-99%
161	Water Capital Expenditures	\$724,704	27%	\$174,670	13%	\$249,555	15%	(\$550,034)	43%
162	Water Debt Service	\$304,360	45%	\$271,389	50%	\$272,630	49%	(\$32,971)	0%
163									
164									
165	Wastewater Operating Cash Balance	\$392,484		\$678,066		\$1,161,363		\$483,297	113%
166	Wastewater - Sewer Service Charges	\$1,040,047	55%	\$1,092,436	53%	\$1,142,583	54%	\$50,147	9%
167	Wastewater - Other Operating Revenues	\$1,161,195	58%	\$1,105,587	53%	\$1,306,881	54%	\$201,294	13%
168	Wastewater - Operating Expenditures	\$735,355	46%	\$693,645	42%	\$695,534	39%	\$1,889	-6%
169	Operating Revenues less Expenditures	\$425,840		\$411,942		\$611,346		\$199,404	
171									
172	Non Operating Revenue	\$52,441	9%	\$1,953	1%	\$16,181	1%	\$14,228	729%
173	Wastewater Capital Expenditures	\$103,265	8%	\$138,374	7%	\$495,379	19%	\$357,005	258%
174	Wastewater Debt Service	\$110,954	50%	\$97,195	33%	\$112,225	39%	\$15,030	15%
175									
176									
177	Solid Waste Operating Cash Balance	\$62,429		\$139,281		\$130,869		(\$8,412)	-6%
178	Solid Waste Revenues	\$374,233	50%	\$386,533	52%	\$407,867	53%	\$21,334	6%
179	Solid Waste Expenditures	\$351,432	47%	\$320,905	43%	\$384,138	50%	\$63,234	20%
180	Revenues less Expenditures	\$22,801		\$65,628		\$23,729		(\$41,899)	
181									
182									
183	Capital Project Funds								
184									
185	City Hall Project Cash Balance	\$1,774,653		\$2,011,423		\$2,098,031		\$86,608	4%
186	City Hall Project - Revenues	\$2,581	1%	\$4,452	2%	\$2,934	1%	(\$1,517)	-34%
187	City Hall Project - Expenditures	\$0	0%	\$20,222	5%	\$157,605	16%	\$137,382	679%
188	Revenues less Expenditures	\$2,581		(\$15,771)		(\$154,670)		(\$138,899)	