

Staff Report



To: Mayor Muhlfeld and City Councilors
 From: Dana Smith, Finance Director *Dana*
 Date: January 28, 2018
 Re: 2nd Quarter (Mid-Year) Financial Report for Fiscal Year 2018

This quarterly financial report provides a summary version of the financial results of the City during the second quarter of fiscal year 2018. 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, 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 second quarter cash balance in column (a), the FY17 second quarter cash balance in column (b) and the FY18 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, 2016 Cash Balance	Dec 31, 2017 Cash Balance	Dec 31, 2017 Cash Balance	One Year Change
General	\$1,132,294	\$1,318,254	\$1,519,199	\$200,945
Parks & Recreation	(\$131,126)	(\$8,405)	\$47,341	\$55,746
Law Enforcement	(\$9,635)	\$13,911	\$62,390	\$48,479
Library	\$103,328	\$109,556	\$87,845	(\$21,711)
Fire & Ambulance	\$293,681	\$150,013	\$181,134	\$31,121
	\$1,388,542	\$1,583,329	\$1,897,909	\$314,581

Total cash in property tax supported funds as of December 31, 2017, increased by \$314,580 or 20% compared to the balance on December 31, 2016. The changes in each property tax supported fund from the prior year second quarter and the first quarter of FY18 are discussed in detail below.

General Fund – The General Fund cash balance compared to a year ago has increased by \$200,945 or 15%. 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 a positive cash balance in the second quarter for the first time in the past three years. Compared to December 31, 2016, the fund has seen an increase in cash of 663%, or \$55,746. 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 \$12,636 due from Whitefish Legacy Partners, the cash balance for the Parks & Recreation Fund would be \$59,977. The improvement noted this year is primarily 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 \$48,479, or 348%, 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 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 \$79,903 (H79). Furthermore, Whitefish School District 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 also help offset cost that have been incurred to-date.

Library Fund – The Library Fund was the only Fund with a decrease in cash balance during the second quarter. The decrease of almost \$21,711 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. 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 second quarter of FY18 with a higher cash balance than the prior year by \$31,121, or 21%. 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 of Property Tax Supported Funds – Overall the City's finances remain in good condition. Increasing cash reserves, as done in the FY18 Budget, is a positive direction for the City's financial resilience to 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 61% of the FY18 Budget. In addition, the amount collected in the second quarter has increased 19% from the prior year (K13).
- The Resort Tax collections are 65% of the FY18 Budget after the second quarter and 10% higher than December 31, 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 53% of the budget and up 25%, or \$145,239 (J88). The increase in revenue is likely the result of increased calls and the automatic rate increase that was effective July 1st based on the Consumer Price Index for U.S. All Urban Consumers – Medical Care Services.
- License and permit revenues in the Building Code Fund (H140) are up about 33% from the prior year second quarter and total 58% of the FY18 Budget. The first half 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 9% higher compared to the second quarter of FY17.

- Impact fee revenue is also up from the prior year's second quarter by 40% and the revenue is 89% 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 89% of budgeted revenue is further broken down among the various impact fees as follows: Paved Trails (123% of budget), Park Maintenance Building (102% of budget), Emergency Service Center (85% of budget), City Hall (81% of budget), and Stormwater (94% of budget).
- Water impact fees are at 81%, while wastewater impact fees are at 72% 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 December 31, 2017, planning fees were at 137% 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 (39-50% for most funds) as of December 31, 2017, except for those funds that have primarily capital projects. One fund is overbudget at mid-year. The Whitefish Trail Construction Fund is over budget by \$51,149 due to the quick time-line of the Haskill Basin Trail. This overage will require a budget amendment at year-end and will be offset with monies paid to the City by Whitefish Legacy Partners.

In addition to the fund totals, a review of line-items revealed very few issues that were not already anticipated. 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.

Additional Detailed Analysis

The following discussion further highlights the attached three spreadsheets.

General Fund Revenue (line 9 to 17)

Total General Fund revenues are 63% of the FY18 Budget and are \$269,379, or 9%, higher compared to the second quarter of FY17. Most revenue types have increased, but primarily the increase is in property tax revenues, municipal court fines and forfeitures, charges for services, and miscellaneous revenues. These increases are due to either an increased demand of services, such as planning fees, or the budgeted increase in property tax revenue in the FY18 Budget.

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

Total General Fund expenditures are on track at 48% of the FY18 Budget. Expenditures have increased 6%, 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 \$1,519,199 compared to \$1,318,254 at the end of the prior year's second 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 second 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 revenues increasing a little more than double the rate for expenditures.

Other Tax, Fee, & Assessment Supported Funds (p.2, line 101 to 144)

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

Resort Tax collections are 65% of the budgeted revenues as of December 31, 2017. Compared to the prior year there is a sizeable increase in revenue over \$200,000. 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 9%, or \$60,643 (J110), which is primarily right-of-way fees paid by Water and Wastewater and the increase Street Maintenance Assessment included in the FY18 Budget. Expenditures decreased by -4%, but they are anticipated to increase in the remainder of the year due to the Central Avenue Street Reconstruction Project re-starting in spring and other repair and maintenance items that will to be completed during the fourth quarter when weather is more favorable.

During the second quarter, the *Tax Increment Fund* again had an expected, but significant decrease in cash balance of -12% or \$138,704 (J114). However, overall the fund had a higher net income at the end of the second quarter of FY18 compared to FY17 due to increased property tax revenue and decreased expenditures.

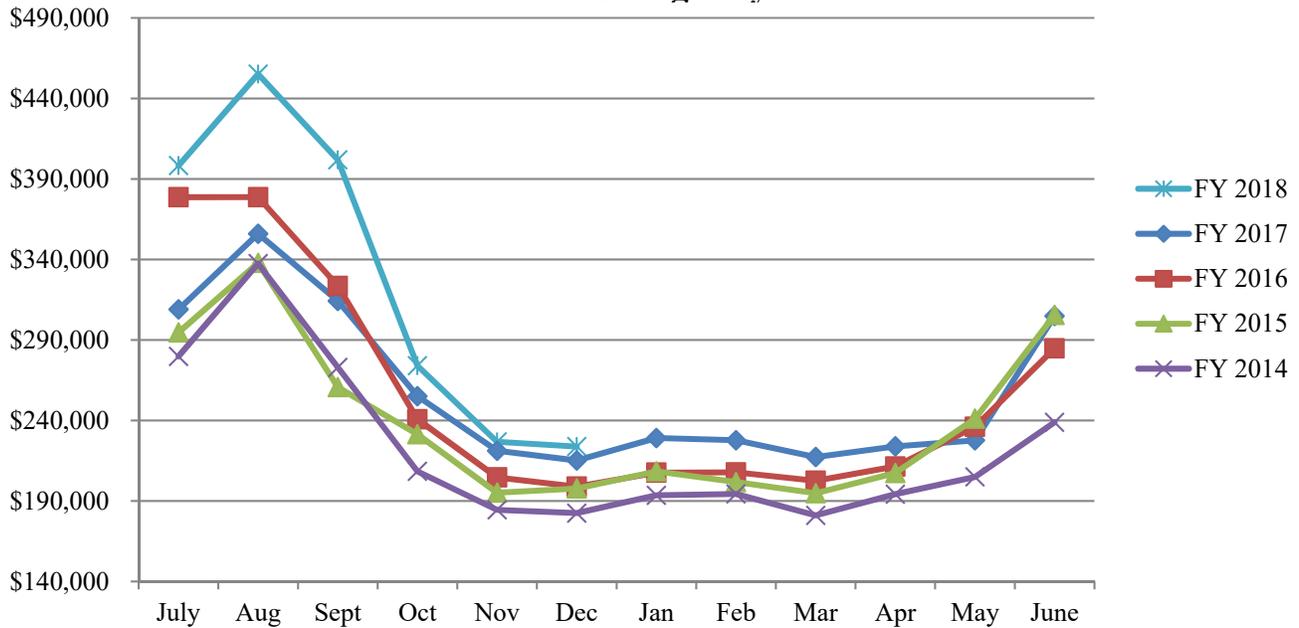
Impact Fee Fund revenues have increased 40%, or \$47,833 (J121), compared to the second quarter of FY17. This increase is due to increased commercial and residential development projects. Expenditures overall have decreased significantly, but that is due to the timing of the impact fee capital project for the ESC and limited path projects through December 31st.

The *Building Code Fund* cash balance has increase by about 13%, or \$27,342, compared to the second 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 33% from the prior year second quarter and total 58% of the FY18 Budget. The beginning of FY18 has seen the continuance of a strong commercial and residential development environment.

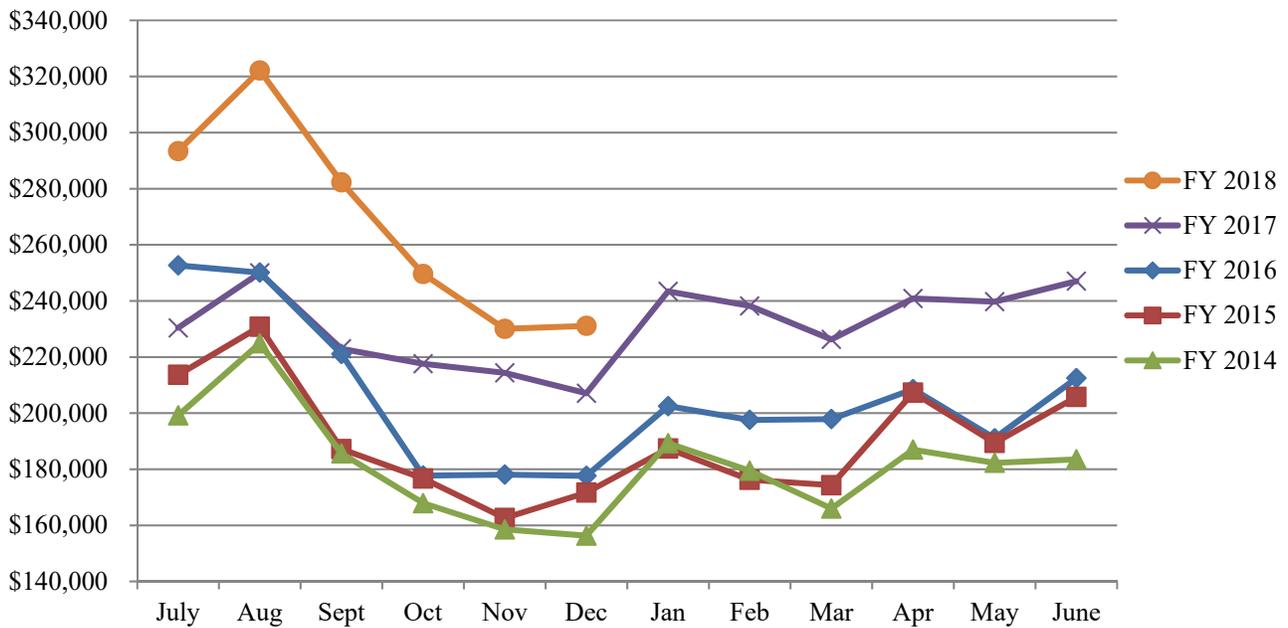
Enterprise Funds (p.3, line 143 to 186)

Metered water sales are up 19%, or \$309,285, while wastewater service charges are up 20%, or \$266,156. 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 and lack of precipitation. This change in usage also affects the wastewater rates (see second graph), 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, in preparation for capital project funding.

Water Meter Charges by Month



Wastewater Meter Charges by Month



Capital expenditures in the Water Fund are significantly higher than the prior year second quarter and lower in the Wastewater Fund. These amounts, however, will vary based on the projects in progress. During the first half of the fiscal year, 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.

Financial Outlook

Overall the City's finances remain in generally good condition with minor areas to monitor during the remainder of the fiscal year. The City continues to see an increase in the return on its 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 FY19 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.

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 406-863-2405.

City of Whitefish
 Quarterly Financial Review
 Second Quarter of Fiscal Year 2018
 October 1, 2017 - December 31, 2017

50% of Fiscal Year Complete



	YTD Dec 31, 2015		YTD Dec 31, 2016		YTD Dec 31, 2017			
	Dollars	% of Budget	Dollars	% of Budget	Dollars	% of Budget	Chng Prev YR	% Chng Prev Yr
General Fund Revenues								
Property Taxes	\$1,093,058	50%	\$959,825	50%	\$1,095,034	50%	\$135,210	14%
Total Licenses and Permits	\$35,354	55%	\$35,572	53%	\$34,431	51%	(\$1,141)	-3%
Intergovernmental Revenue	\$420,349	50%	\$436,277	50%	\$438,291	50%	\$2,014	0%
Charges for Services	\$126,835	56%	\$116,780	47%	\$182,133	73%	\$65,353	56%
Fines and Forfeitures	\$92,399	42%	\$128,744	59%	\$152,770	61%	\$24,027	19%
Miscellaneous	\$9,458	17%	\$909	2%	\$45,540	49%	\$44,631	4911%
Investment Earnings	\$6,487	43%	\$11,863	49%	\$16,683	62%	\$4,821	41%
Resort Tax Transfer In	\$679,023	100%	\$1,182,354	100%	\$1,176,819	100%	(\$5,535)	0%
Total General Fund Revenues	\$2,462,961	58%	\$2,872,323	63%	\$3,141,702	63%	\$269,379	9%
General Fund Expenditures								
Municipal Court	\$132,823	45%	\$139,167	47%	\$137,295	45%	(\$1,872)	-1%
Administrative Services	\$47,008	44%	\$46,121	42%	\$79,492	54%	\$33,371	72%
Legal Services	\$33,964	32%	\$24,674	43%	\$29,640	44%	\$4,966	20%
Community Planning	\$161,731	43%	\$161,216	39%	\$187,832	41%	\$26,616	17%
Transfer to Park Fund	\$325,619	50%	\$336,290	50%	\$350,561	50%	\$14,271	4%
Transfer to Law Enforcement Fund	\$1,042,500	50%	\$1,078,500	50%	\$1,146,343	50%	\$67,843	6%
Transfer to Fire Fund	\$417,500	50%	\$417,500	50%	\$364,763	50%	(\$52,737)	-13%
Transfer to Library Fund	\$17,186	50%	\$17,186	50%	\$17,186	50%	\$0	0%
Cemetery/Other	\$32,659	33%	\$26,599	23%	\$64,062	43%	\$37,463	141%
Total General Fund Expenditures	\$2,210,990	48%	\$2,247,252	48%	\$2,377,172	48%	\$129,920	6%
General Fund Revenues Less Expenditures	\$251,971		\$625,071		\$764,530		\$139,459	22%
General Fund Operating Cash Balance	\$1,132,294		\$1,318,254		\$1,519,199		\$200,945	15%
Prop Tax Supported Funds (no General) Net	(\$99,196)		(\$8,757)		\$160,237		\$168,995	
Prop Tax Supported Funds (no General) Cash	\$256,248		\$265,075		\$378,710		\$113,636	
Total General & Prop Tax Supported Funds Net	\$152,775		\$616,314		\$924,767		\$308,454	
Total General & Prop Tax Supported Funds Cash	\$1,388,542		\$1,583,329		\$1,897,910		\$314,581	

General Fund Cash Balance Trends

