

# Staff Report



To: Mayor Muhlfeld and City Councilors  
 From: Dana Smith, Finance Director *Dana*  
 Date: April 28, 2018  
 Re: 3rd Quarter Financial Report for Fiscal Year 2018

This quarterly financial report provides a summary version of the financial results of the City during the third 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 third quarter ended March 31, 2018.

## 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 third quarter cash balance in column (a), the FY17 third quarter cash balance in column (b) and the FY18 third quarter cash balance in column (c) for comparison purposes.

	<b>Cash Balance in Property Tax Supported Funds</b>			
	<i>a</i>	<i>b</i>	<i>c</i>	<i>d (c-b)</i>
	<b>Mar 31, 2017</b>	<b>Mar 31, 2018</b>	<b>Mar 31, 2018</b>	<b>One Year</b>
	<b>Cash Balance</b>	<b>Cash Balance</b>	<b>Cash Balance</b>	<b>Change</b>
<b>General</b>	\$747,969	\$908,513	\$1,175,963	\$267,450
<b>Parks &amp; Recreation</b>	(\$1,075)	\$21,382	\$112,057	\$90,675
<b>Law Enforcement</b>	\$75,918	\$16,009	\$62,812	\$46,803
<b>Library</b>	\$101,691	\$92,862	\$84,421	(\$8,441)
<b>Fire &amp; Ambulance</b>	\$231,788	\$134,079	\$45,319	(\$88,760)
	<u>\$1,156,291</u>	<u>\$1,172,845</u>	<u>\$1,480,572</u>	<u>\$307,727</u>

Total cash in property tax supported funds as of March 31, 2018, increased by \$307,727 or 26% compared to the balance on March 31, 2017. The changes in each property tax supported fund from the prior year third quarter and the third quarter of FY18 are discussed in detail below.

*General Fund* – The General Fund cash balance compared to a year ago has increased by \$267,450 or 29%. 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, municipal court fines, and planning fees. As cash reserves in the General Fund continue to increase through future budget cycles, cash in the third 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 and a significantly higher cash balance at the end of the third quarter than the past three years. Compared to March 31, 2017, the fund has seen an increase in cash of 424%, or \$90,675. In addition, Whitefish Legacy Partners submitted

a payment in April for operating and maintenance expenditures made in the first half of this fiscal year. Taking into consideration the \$30,195 due from Whitefish Legacy Partners, the cash balance for the Parks & Recreation Fund would be \$142,252. 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 \$46,803, or 292%, compared to the March 31<sup>st</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 \$80,326 (H79). Furthermore, the Whitefish School District contribution for the SRO position has been billed through March 2018, but payment has not been received yet.

*Library Fund* – The Library Fund available cash continued to decrease during the third quarter. The decrease of \$8,441 compared to the prior year is due to starting the year off with about \$10,000 less in available cash and expenditures continuing to exceed revenues. While revenues have increased, expenditures have continued to increase as well. 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 to the aging facility.

*Fire & Ambulance Fund* – The Fire and Ambulance Fund ended the third quarter of FY18 with a lower cash balance than the prior year third quarter by \$88,760, or -66%. The Fund started the new fiscal year off with about \$47,000 more than the prior year, however, there are three main factors that have caused cash to decrease significantly. First, the Department purchased a new ambulance that was only partially financed through a loan. The second factor is the increased overtime incurred due to sending four Whitefish firefighters with equipment to California to help with wildland fires. However, the City received the \$115,000 payment from the State of California for services in April, so cash balance did get a nice boost after the third quarter. The last main factor is actual collections of charges for ambulance services. The City has continued to see a rise in the accounts receivable for services, which prompted the Department to look for other options. The City has changed external billing companies and we are anticipating an increase of about 10% or more in the amount collected. Overall, there are no significant concerns for the Fire & Ambulance Fund at this time.

*Summary of Property Tax Supported Funds* – Overall the City's finances are seeing improvement and remain in good condition. Increasing cash reserves, as accounted for 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 99% of the FY18 Budget. In addition, the amount collected in the third quarter has increased 28% from the prior year (K13).
- The Resort Tax collections are 88% of the FY18 Budget after the third quarter and 9% higher than March 31, 2017. While most of the increase is in lodging, retail and bars/restaurants are seeing an increase as well. This trend has allowed for estimated additional property tax relief in the Proposed FY19 Budget because any amount collected over the budgeted amount must be returned to taxpayers as additional property tax relief.

- Ambulance Service Charges are 78% of the budget and up 14%, or \$129,541 (J88). The increase in revenue is likely the result of increased calls, allowing for billing of additional items based on the rate study, 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 (H140) are up about 35% from the prior year third quarter and total 77% of the FY18 Budget. Columbia Falls contract revenue is 53% higher compared to the third quarter of FY17 and 111% of the FY18 Budget.
- Impact fee revenue is also up from the prior year's third quarter by 36% and the revenue is 107% 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 107% of budgeted revenue is further broken down among the various impact fees as follows: Paved Trails (143% of budget), Park Maintenance Building (119% of budget), Emergency Service Center (104% of budget), City Hall (98% of budget), and Stormwater (103% of budget).
- Water impact fees are at 94%, while wastewater impact fees are at 84% of the FY18 Budget. Again, like other impact fees, these follow the building permit trends too and are higher than the prior year's third quarter.
- As of March 31, 2018, planning fees were at 203% of the expected revenue for FY18, which can point to continued development activity in the City. Two significant final plats were paid that resulted in about \$50,890 of the \$111,600 collected by the end of the third quarter.

## **Expenditure Review**

Total expenditures by fund were at or below the typical percentage of budget authority to be used (50-78% for most funds) as of March 31, 2018, except for those funds that have primarily capital projects. In addition, the Fire & Ambulance Fund is tracking higher than normal at 82% of the total expenditure budget, primarily due to the additional overtime and travel costs incurred by sending four firefighters to help fight wildland fires in California. Therefore, this fund may require a budget amendment, but these expenditures are more than offset by the payment we received from the State of California. We do continue to have one fund that is overbudget at the end of the third. The Whitefish Trail Construction Fund is over budget by \$73,197 and will require a budget amendment at year-end that 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 office and operating supplies, as well as repair and maintenance supplies and services because these expenses tend to be one of the more heavily used line-items, but most are within a reasonable amount or there are savings in other line-items.

## **Additional Detailed Analysis**

The following discussion further highlights the attached three spreadsheets.

### ***General Fund Revenue (line 9 to 17)***

Total General Fund revenues are 82% of the FY18 Budget and are \$434,722, or 11%, higher compared to the third 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 (planning fees), 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 75% 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 and the cost to maintain the new downtown parking facility. In addition, the budgeted capital expenditure for an administrative services vehicle was incurred in the first quarter.

The General Fund cash balance was \$1,175,963 compared to \$908,513 at the end of the prior year's third quarter (see line 33). The graph on page 1 of the spreadsheets shows the General Fund cash balance trends for the past four years. March, 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 20% (mostly in the General Fund) is important to ensure an adequate cash balance throughout the year and to be prepared for economic changes.

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

Overall, the funds supported by property taxes continue to have revenues exceed expenditures by the end of the third quarter, but at a higher rate. When compared to a year ago, these funds experienced an overall increase in cash of 15% with detailed discussion for each fund above.

***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 88% of the budgeted revenues as of March 31, 2018. Compared to the prior year there is a sizeable increase in revenue over \$250,000. Expenditures on the other hand are significantly lower due to the timing and smaller size of Somers Avenue Project and other approved capital projects compared to projects of the prior year.

*Street and Alley* operations continue to be in good financial condition. Revenues increased by 14%, or \$142,809 (J108), which is primarily right-of-way fees paid by Water and Wastewater and the increase Street Maintenance Assessment included in the FY18 Budget. Expenditures have increase by 8%, mostly due to the purchase of capital equipment and costs for snow plowing in winter. Expenditures will continue to increase as Central Avenue Street Reconstruction Project has started again.

During the second quarter, the *Tax Increment Fund* again had an expected decrease in cash balance of -8% or \$152,036 (J112). However, overall the fund had a higher net income at the end of the third quarter of FY18 compared to FY17 due to increased property tax revenue and decreased expenditures.

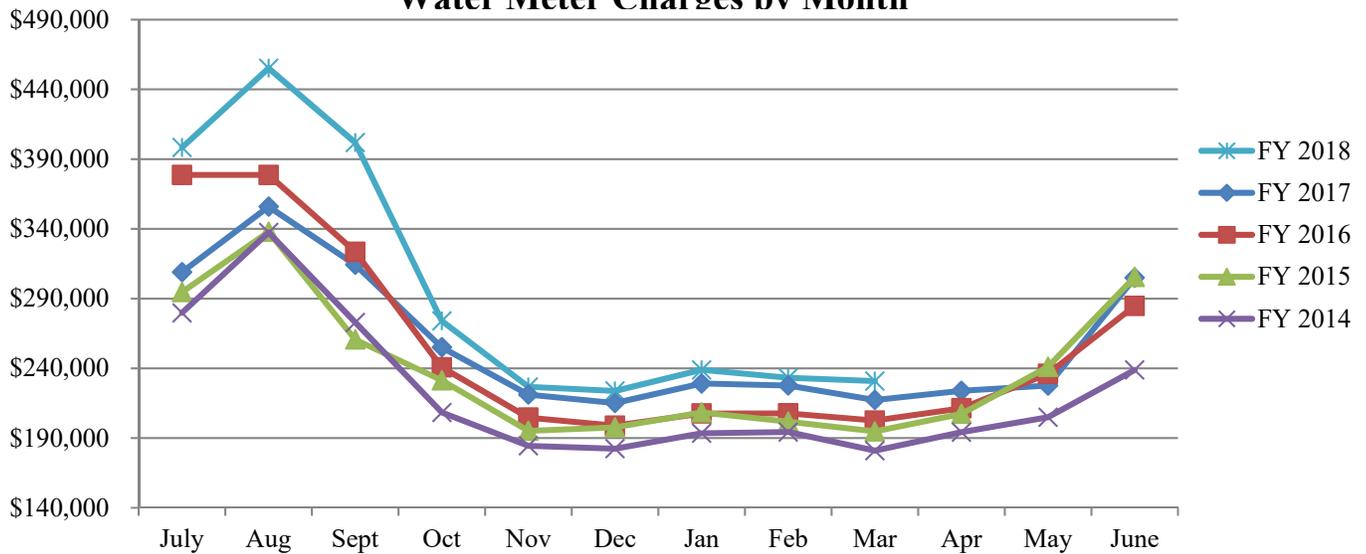
*Impact Fee Fund* revenues have increased 36%, or \$52,778 (J119), compared to the third quarter of FY17. This increase is due to increased commercial and residential development projects. Expenditures overall have decreased significantly, but that is due to the timing of the impact fee capital project for the ESC and limited path projects through March 31<sup>st</sup>.

The *Building Code Fund* cash balance has increase by about 35%, or \$52,229, compared to the third 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 35% from the prior year third quarter and total 77% of the FY18 Budget. Year-to-date, FY18 has seen the continuance of a strong commercial and residential development environment, including in Columbia Falls.

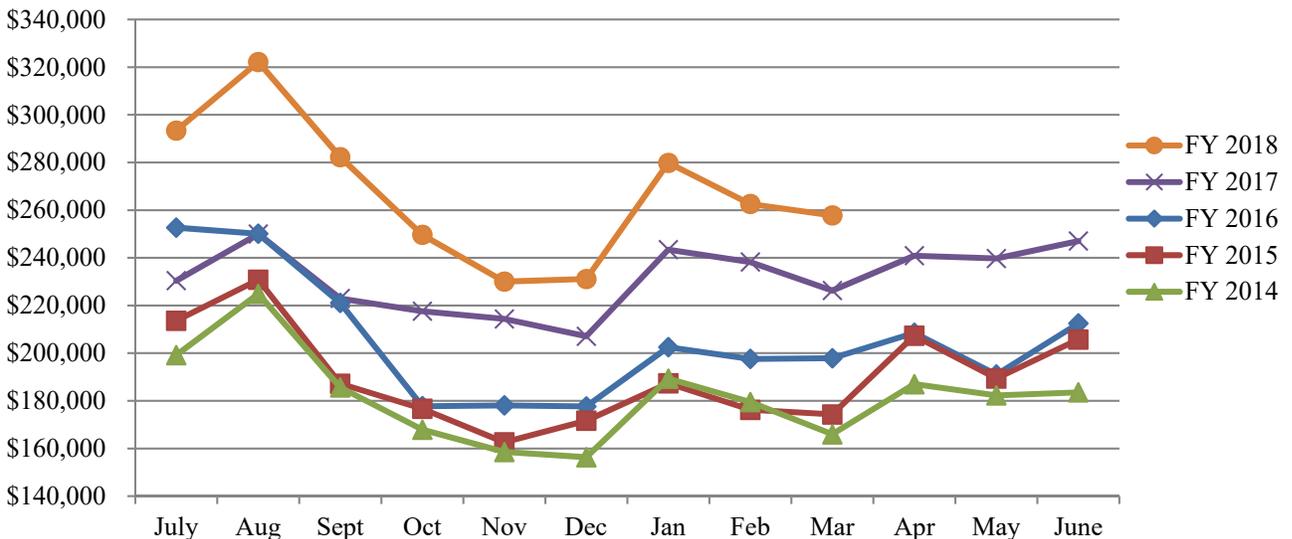
**Enterprise Funds (p.3, line 146 to 180)**

Metered water sales are up 14%, or \$338,218, while wastewater service charges are up 17%, or \$358,462. As depicted in the graph below, water sales increased significantly in July 2018, which continued through September 2018. The opposite was true for June 2017 through September 2017 (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 2017, 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, 2018, in preparation for funding the wastewater treatment plant upgrade that is mandated by the State and the EPA.

**Water Meter Charges by Month**



**Wastewater Meter Charges by Month**



Capital expenditures in the Water Fund are significantly higher than the prior year third quarter and lower in the Wastewater Fund. These amounts, however, will vary based on the projects in progress. Through the third quarter of FY18, capital expenditures included the cast iron water main replacement projects, the water tank project, Central Avenue Reconstruction Project (water improvements), man hole rehabilitation, and engineering for the wastewater treatment plant upgrade.

### **Financial Outlook**

Overall the City's finances continue to improve and 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 with expected funding of a new investment program in the next week that will have even higher yields. We continue to see a strong building environment and a steady increase in Resort Tax collections.

As of the date of this report, the Proposed FY19 Budget is in the final stages, which continues to address the capital needs of all Departments, the need to continue increasing cash reserves, and providing for the expected levels of service from our visitors and citizens of Whitefish.

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 call me at 406-863-2405.

	A	D	E	F	G	H	I	J	K
1	City of Whitefish								
2	Quarterly Financial Review								
3	Third Quarter of Fiscal Year 2018								
4	January 1, 2018 - March 31, 2018								
5									
6	<b>General Fund Revenues</b>	YTD Mar 31, 2016	% of Budget	YTD Mar 31, 2017	% of Budget	YTD Mar 31, 2018	% of Budget	Chng Prev YR	% Chng Prev Yr
7		Dollars		Dollars		Dollars			
8									
9	Property Taxes	\$1,482,427	68%	\$1,354,324	71%	\$1,569,953	72%	\$215,629	16%
10	Total Licenses and Permits	\$49,822	77%	\$48,725	72%	\$51,173	76%	\$2,448	5%
11	Intergovernmental Revenue	\$622,331	74%	\$647,253	75%	\$649,336	74%	\$2,083	0%
12	Charges for Services	\$201,669	90%	\$155,483	62%	\$248,072	100%	\$92,589	60%
13	Fines and Forfeitures	\$141,894	64%	\$193,406	89%	\$248,397	99%	\$54,991	28%
14	Miscellaneous	\$10,697	20%	\$24,821	43%	\$86,629	93%	\$61,808	249%
15	Investment Earnings	\$10,713	71%	\$20,089	84%	\$30,797	114%	\$10,708	53%
16	Resort Tax - Property Tax Relief	\$679,023	100%	\$1,182,354	100%	\$1,176,819	100%	(\$5,535)	0%
17	<b>Total General Fund Revenues</b>	<b>\$3,198,576</b>	<b>75%</b>	<b>\$3,626,454</b>	<b>79%</b>	<b>\$4,061,176</b>	<b>82%</b>	<b>\$434,722</b>	<b>11%</b>
18	<b>General Fund Expenditures</b>								
19									
20	Municipal Court	\$195,042	66%	\$209,738	71%	\$212,372	70%	\$2,634	1%
21	Administrative Services	\$80,086	75%	\$75,739	69%	\$110,890	76%	\$35,151	46%
22	Legal Services	\$45,940	44%	\$39,701	69%	\$56,685	83%	\$16,984	43%
23	Community Planning	\$245,882	65%	\$255,107	62%	\$304,801	67%	\$49,694	19%
24	Parking Facility Maintenance	\$0	0%	\$0	0%	\$59,055	125%	\$59,055	n/a
25	Transfer to Park Fund	\$488,428	75%	\$504,434	75%	\$525,841	75%	\$21,407	4%
26	Transfer to Law Enforcement Fund	\$1,563,750	75%	\$1,617,750	75%	\$1,719,514	75%	\$101,764	6%
27	Transfer to Fire Fund	\$626,250	75%	\$626,250	75%	\$547,144	75%	(\$79,106)	-13%
28	Transfer to Library Fund	\$25,778	75%	\$25,778	75%	\$25,778	75%	\$0	0%
29	Cemetery/Other	\$59,521	61%	\$56,627	52%	\$77,801	76%	\$21,174	37%
30	<b>Total General Fund Expenditures</b>	<b>\$3,330,679</b>	<b>72%</b>	<b>\$3,411,125</b>	<b>73%</b>	<b>\$3,639,881</b>	<b>75%</b>	<b>\$228,757</b>	<b>7%</b>
31									
32	<b>General Fund Revenues Less Expenditures</b>	<b>(\$132,102)</b>		<b>\$215,329</b>		<b>\$421,295</b>		<b>\$205,965</b>	<b>96%</b>
33	<b>General Fund Operating Cash Balance</b>	<b>\$747,969</b>		<b>\$908,513</b>		<b>\$1,175,963</b>		<b>\$267,450</b>	<b>29%</b>
34									
35	<b>Prop Tax Supported Funds (no General) Net</b>	<b>\$268,059</b>		<b>\$13,447</b>		<b>\$53,756</b>		<b>\$40,309</b>	
36	<b>Prop Tax Supported Funds (no General) Cash</b>	<b>\$408,321</b>		<b>\$264,332</b>		<b>\$304,609</b>		<b>\$40,277</b>	
37									
38	<b>Total General &amp; Prop Tax Supported Funds Net</b>	<b>\$135,956</b>		<b>\$228,777</b>		<b>\$475,051</b>		<b>\$92,821</b>	
39	<b>Total General &amp; Prop Tax Supported Funds Cash</b>	<b>\$1,156,291</b>		<b>\$1,172,845</b>		<b>\$1,480,572</b>		<b>\$307,727</b>	



**General Fund Cash Balance Trends**

