

Staff Report



To: Mayor Muhlfeld and City Councilors
 From: Dana Smith, Assistant City Manager/Finance Director
 Date: October 29, 2018 *Dana*
 Re: 1st Quarter Financial Report for Fiscal Year 2019

This quarterly financial report provides a summary version of the financial results of the City during the first quarter of Fiscal Year 2019 (FY19). 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, 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 FY17 first quarter cash balance in column (a), the FY18 first quarter cash balance in column (b) and the FY19 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>
	Sept 30, 2016 Cash Balance	Sept 30, 2017 Cash Balance	Sept 30, 2018 Cash Balance	One Year Change
General	\$175,361	\$198,868	\$383,296	\$184,428
Parks & Recreation	(\$50,502)	(42,778)	5,988	48,766
Law Enforcement	\$26,720	61,037	62,391	1,354
Library	\$82,603	63,406	38,847	(24,559)
Fire & Ambulance	\$109,073	145,792	(34,130)	(179,922)
	\$343,255	\$426,325	\$456,392	\$30,067

Total cash in property tax supported funds as of September 30, 2018 increased by \$30,067 or 7.1% compared to the balance on September 30, 2017. The changes in each fund are described in detail 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 FY19. However, the General Fund cash balance compared to a year ago has increased by \$184,428 or 93%. The increase in cash balance is primarily due to the General Fund starting the fiscal year off with more cash than the prior year of over \$200,000. 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 – For the first time, at the end of the first quarter in FY19, the cash balance is positive. Historically, the fund would have a negative cash balance. Not only is the cash balance at \$5,988, but that figure includes about \$13,200 that is due to the City for the operations of the Whitefish Trail. Overall cash balance has improved from the prior year’s first quarter by \$48,766, or 114%. The improvement in FY19 is mostly due to an increase in the transfer from the General Fund.

Law Enforcement Fund – Overall cash balance remained fairly steady with a minor increase of \$1,354, or 2%, compared to the September 30th balance in the prior year. The change is mostly due to revenues decreasing slightly, starting the year off with a slightly higher cash balance, and an increase in expenditures of about 10%. With the fund budgeted to increase cash reserves only slightly by year-end, this change is anticipated.

Library Fund – The Library Fund has continued seeing a decrease in cash balance during the first quarter. The decrease of almost \$24,559 is due to a slight slow-down in revenue with an increase in expenditures. In addition, the fund started the year off with about \$28,000 less than FY18. The decrease in cash balance is not a concern at this time since the Fund is tracking as expected compared to the FY19 Budget and a large portion of the anticipated property tax revenue will be collected during the second quarter. Furthermore, 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 first quarter of FY19 with a significantly lower cash balance than the prior year by \$179,922, or -123%. The balance not only decreased, but it is also negative. When having a negative cash balance, we must temporarily borrow from the General Fund to pay bills, which is not ideal. The Fund started the new fiscal year off with about \$170,000 less than the prior year, which is the primary reason for the significant decrease. The decrease in cash during FY18 was mostly due to increased write-offs for ambulance service charges per Medicaid/Medicare. With a new processing company, the hope is that collections improve 10% or more during this fiscal year. More analysis will be done for the mid-year report.

Summary – Overall the City’s property tax supported funds remain in good financial condition. Increasing cash reserves to an amount closer to 20% will help ensure the City is prepared for the next economic down-turn and we should strive to eliminate temporary instances of negative cash balance in any fund in the next budget.

Financial Highlights

- We continue to see growth in the Municipal Court Fines and Forfeitures. These revenues are currently at 28% of the FY19 Budget (I13) and have increased 12% from the first quarter of the prior year (K13). The cause of this increase is due to multiple factors that likely include the successful in-house prosecution, Police Department response, an increase in call volumes, an increase in citations issued, and the Municipal Court processing.
- The Resort Tax collections are 41% of the FY19 Budget after the first quarter and 6% higher than September 30, 2017. While most of the increase continues to be seen in lodging, both retail and bars/restaurants are seeing increases as well. Assuming this trend continues, there may be additional property tax relief in FY20 since any amount collected over the budgeted amount must be returned to taxpayers as additional property tax relief.
- Ambulance Service Charges are 31% of the budget and up 4%, or \$16,761 (J88). The increase in revenue is likely the result of 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 (H139) are up about 14% from the prior year first quarter and total 36% of the FY19 Budget. The beginning of FY19 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 decreased back to FY17 levels, however, historically this revenue source has remained steady around \$18,000 since FY15.

- Impact fee revenue is also up from the prior year's first quarter by 133% and the revenue is 91% of the budget for FY19. The budget for FY19 provided for an increase in revenue from FY18, but it is now expected that we will collect more than budgeted by year-end. Furthermore, impact fees follow building permits, so this increase is not surprising based on the strong commercial and residential growth so far. The revenue collected totaling 91% of budgeted revenue is further broken down among the various impact fees as follows: Paved Trails (107% of budget), Park Maintenance Building (109% of budget), Emergency Service Center (95% of budget), City Hall (90% of budget), and Stormwater (58% of budget).
- Water impact fees are at 63%, while wastewater impact fees are at 52% of the FY19 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, 2018, zoning plan review fees were at 35% of the expected revenue for FY19, while planning fees have slowed to about 21% of the budget or \$6,600 less than the prior year.
- Investment earnings continue to increase and exceed the prior year first quarter by almost \$50,000. This trend is expected to continue into FY19 with an expected rate hike in December and possible one or two in the following year by the Federal Reserve. While investment earnings are a great source of income, it does mean borrowing funds comes at a higher cost.

Expenditure Review

Total expenditures by fund were at or below the anticipated percentage of budget authority to be used (20-27% for most funds) as of September 30, 2018.

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 operating supplies, repair and maintenance expenses, and overtime as these tend to be 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 11% of the FY19 Budget and have remained flat from the first quarter of FY18. The decrease in property tax revenues offset the increases in municipal court fines, investment earnings, and miscellaneous revenue during the first quarter. The FY19 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 24% of the FY19 Budget. Expenditures have increased 3%, which is mostly due to the increase in transfers to other property tax supported funds that was appropriated in the FY19 Budget and an increase in wages and benefits. In addition, the budgeted capital expenditure for an administrative services vehicle was incurred in the first quarter of FY18, which has resulted in a \$30,000 reduction in expenditures under Administrative Services for FY19.

The General Fund cash balance was \$383,296 compared to \$198,868 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 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 had expenditures exceed revenues by the end of the first quarter. When compared to a year ago, these funds experienced an overall decrease in cash with detailed discussion above. Also, compared to the prior year revenues have decreased while expenditures have increased at a higher rate. Each fund is in-line with the FY19 Budget so there are no concerns at this time.

Other Tax, Fee, & Assessment Supported Funds (p.2 & 3, line 101 to 145)

The funds on the second half of the second page of the spreadsheet, receive no general property tax support, but the funds may be fully or partially funded by assessments that are included on a property owner's tax bill.

Resort Tax collections are 41% of the budgeted revenues as of September 30, 2018. Compared to the prior year there is a decent increase in revenue of about 6%. Expenditures on the other hand are significantly higher 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 2%, or \$4,655 (J108), while expenditures increased by 24%, or \$59,749, compared to the first quarter of FY18. The increase in expenditures is expected due to the Central Avenue Street Reconstruction Project wrapping up and the ramping up of the Flathead Avenue Street Construction Project.

At the end of the first quarter, the *Tax Increment Fund's* cash balance came in 19%, or \$167,169 (J112), higher than the prior year. Overall expenditures are tracking similar to FY17, which is mostly due to the timing of urban renewal projects. Revenues, while down 2%, will increase during the second quarter once we receive the majority of revenue through property tax collections that are anticipated to grow by about 9% from FY18 to FY19.

Impact Fee Fund revenues have increased 133%, or \$117,622 (J119), compared to the first quarter of FY18. This increase is due to increased commercial and residential development projects, specifically two larger developments. Cash balance has increased significantly as well due to both growth in revenues and starting the year off with more cash reserves than the prior year. These funds often fluctuate due to the timing of impact fee eligible projects and development within the City.

Both *Lighting District Funds* will have slight increases in assessments during FY19. However, due to the timing of collections and the LED Upgrade Project, the *Commercial Lighting District Fund* has a negative cash balance at the end of the year. It is anticipated that this cash balance will be corrected by the end of the second quarter after collections of assessments and the rebate from Flathead Electric is received.

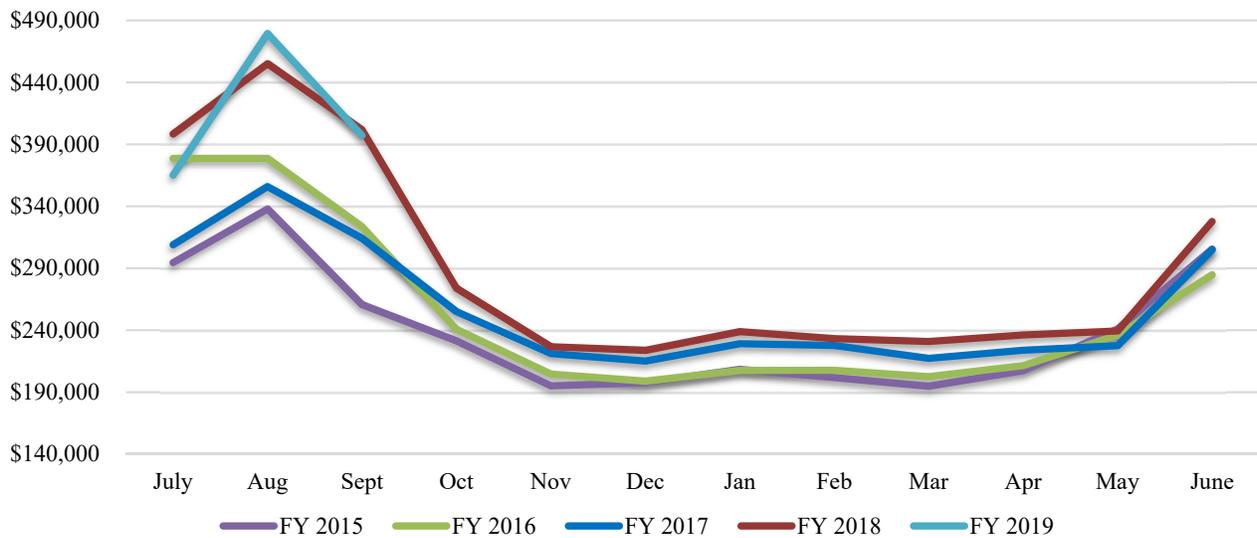
Due to changes in the FY19 Budget, the Stormwater Fund will now be included in the quarterly report. While revenues are about the same as the prior year, a significant increase will occur during the second quarter. Furthermore, expenditures have increased since we are now including personnel costs associated with stormwater projects and maintenance in the Fund. These costs were re-allocated from the Streets and Alley Fund.

The *Building Code Fund* cash balance has increased by about 48% compared to the first quarter of FY18. This increase is partially due to the fund starting the year off with a cash balance that was \$86,000 more than the start of FY18. Furthermore, revenues from building activities in Whitefish continue to grow, while revenues in Columbia Falls are tracking closer to FY17. The beginning of FY19 has seen the continuance of a strong commercial and residential development environment.

Enterprise Funds (p.3, line 147 to 177)

Metered water sales took a slight dip during the first quarter by about -1%, or \$13,553, while wastewater service charges were up 10%, or \$92,676. Comparatively, wastewater rates were increased significantly in October 2017 to prepare for the Wastewater Treatment Plant Upgrade Project, compared to water rates which had a much smaller increase in rates. The slight decrease in water revenue is primarily driven by precipitation and needs of landscaping. Both water and wastewater revenues will continue to grow throughout this year due to the approved rate increase that went into effect as of October 1, 2018.

Water Meter Charges by Month



Capital expenditures in the Water and Wastewater Funds are lower than the prior year’s first quarter. These amounts, however, will vary based on the projects in progress. During the first quarter, capital expenditures included the water tank project, public works shop building improvements, final expenditures for the Central Avenue reconstruction project, and continued engineering for the wastewater treatment plant upgrade.

Summary

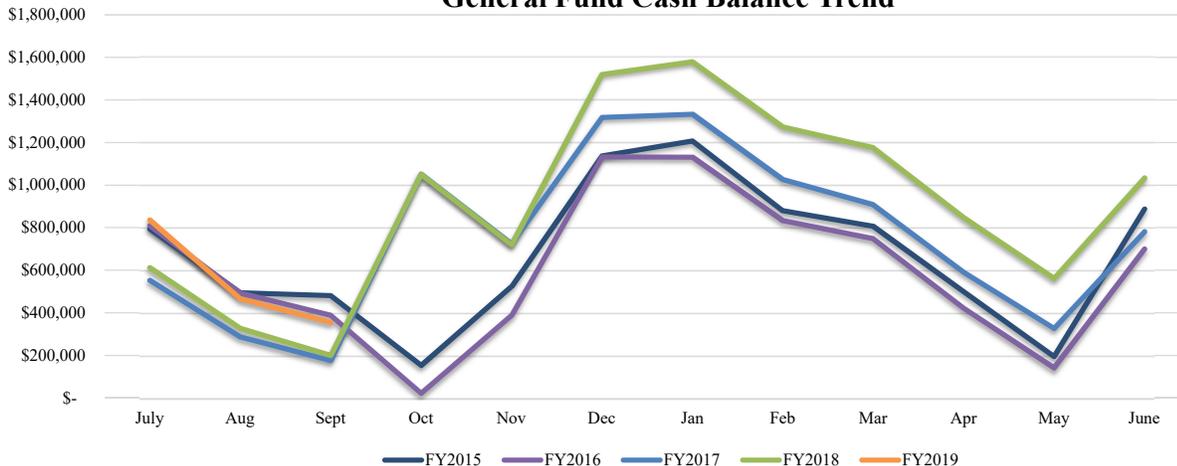
Overall the City’s finances remain in generally good condition with areas to monitor during the remainder of the fiscal year. The City is continuing to see an increase in the return on our investments, the continuation of a strong construction environment, and Resort Tax collections continuing to increase among all sectors. FY19 is shaping up to be a great year with some challenges ahead.

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

	A	D	E	F	G	H	I	J	K
1	CITY OF WHITEFISH								
2	Quarterly Financial Review								
3	1st Quarter of Fiscal Year 2019								
4	July 1, 2018 - September 30, 2018								
5									
6		YTD		YTD		YTD			
7		Sep 30, 2016		Sep 30, 2017		Sep 30, 2018			
8		Dollars	% of	Dollars	% of	Dollars	% of	Chng	% Chng
9			Budget		Budget		Budget	Prev YR	Prev Yr
10	General Fund Revenues								
11	Property Taxes	\$257,496	12%	\$230,307	10%	\$204,043	9%	(\$26,263)	-11%
12	Total Licenses and Permits	\$4,399	6%	\$2,250	3%	\$9,158	8%	\$6,908	307%
13	Intergovernmental Revenue	\$210,026	24%	\$210,520	24%	\$215,165	24%	\$4,645	2%
14	Charges for Services	\$65,676	34%	\$71,498	29%	\$75,301	29%	\$3,803	5%
15	Fines and Forfeitures	\$77,610	25%	\$87,991	35%	\$98,197	28%	\$10,205	12%
16	Miscellaneous	\$373	3%	\$11,732	13%	\$7,628	9%	(\$4,104)	-35%
17	Investment Earnings	\$6,502	25%	\$7,325	27%	\$17,437	39%	\$10,112	138%
18	Resort Tax & SID Revolving Transfer In	\$0	0%	\$0	0%	\$0	0%	\$0	0%
19	Total General Fund Revenues	\$622,081	14%	\$621,623	13%	\$626,929	11%	\$5,306	1%
20	General Fund Expenditures								
21	Municipal Court	\$70,811	21%	\$71,298	24%	\$76,161	25%	\$4,863	7%
22	Administrative Services	\$22,187	20%	\$54,233	37%	\$27,861	19%	(\$26,372)	-49%
23	Total Resort Tax Admin	\$950	82%	\$77	1%	\$955	12%	\$878	1140%
24	Legal Services	\$12,388	19%	\$14,463	21%	\$15,607	22%	\$1,144	8%
25	Community Planning	\$81,080	19%	\$91,234	20%	\$110,916	21%	\$19,681	22%
26	Transfer to Park Fund	\$168,145	25%	\$175,280	25%	\$198,497	25%	\$23,217	13%
27	Transfer to Law Enforcement Fund	\$539,250	25%	\$573,171	25%	\$591,716	25%	\$18,544	3%
28	Transfer to Fire Fund	\$208,750	25%	\$182,381	25%	\$175,095	25%	(\$7,286)	-4%
29	Transfer to Library Fund	\$8,593	25%	\$8,593	25%	\$8,593	25%	\$0	0%
30	Cemetery/Other	\$15,299	16%	\$30,782	19%	\$37,665	19%	\$6,883	22%
31	Total General Fund Expenditures	\$1,127,452	24%	\$1,201,514	25%	\$1,243,065	24%	\$41,551	3%
32	General Fund Revenues Less Expenditures	(\$505,371)		(\$579,890)		(\$616,136)		(\$36,245)	-6%
33	General Fund Operating Cash Balance	\$175,361		\$198,868		\$383,296		\$184,428	93%
34									
35	Prop Tax Supported Funds (no General) Net	(\$85,921)		\$103,638		(\$84,963)		(\$188,602)	
36	Prop Tax Supported Funds (no General) Cash	\$167,895		\$227,457		\$73,096		(\$154,361)	
37									
38	Total General & Prop Tax Supported Funds Net	(\$591,291)		(\$476,252)		(\$701,099)		(\$224,847)	
39	Total General & Prop Tax Supported Funds Cash	\$343,255		\$426,325		\$456,392		\$30,067	



General Fund Cash Balance Trend



	A	D	E	F	G	H	I	J	K
		Sep 30, 2016		Sep 30, 2017		Sep 30, 2018			
			% of		% of		% of		% Chng
68	Property Tax Supported Funds	Dollars	Budget	Dollars	Budget	Dollars	Budget	Chng Prev YR	Prev Yr
71	Parks and Rec Operating Cash Balance	(\$50,502)		(\$42,778)		\$5,988		\$48,766	114%
72	Parks, Rec & Community Services Revenues	\$279,740	17%	\$292,690	18%	\$326,875	20%	\$34,185	12%
73	Parks, Rec & Community Services Exp.	\$411,268	29%	\$441,452	27%	\$461,399	26%	\$19,947	5%
74	Revenues less Expenditures	(\$131,528)		(\$148,762)		(\$134,524)		\$14,238	
75									
76	Law Enforcement Operating Cash Balance	\$26,720		\$61,037		\$62,391		\$1,354	2%
77	Law Enforcement Revenues	\$563,930	21%	\$641,645	26%	\$622,997	23%	(\$18,648)	-3%
78	Law Enforcement Expenditures	\$514,638	17%	\$536,517	22%	\$590,367	22%	\$53,850	10%
79	Revenues less Expenditures	\$49,293		\$105,128		\$32,630		(\$72,498)	
80									
81	Library Operating Cash Balance	\$82,603		\$63,406		\$38,847		(\$24,559)	-39%
82	Library Revenues	\$33,686	16%	\$29,471	12%	\$27,597	11%	(\$1,874)	-6%
83	Library Expenditures	\$58,597	20%	\$65,475	22%	\$66,565	22%	\$1,090	2%
84	Revenues less Expenditures	(\$24,911)		(\$36,004)		(\$38,968)		(\$2,964)	
85									
86	Fire & Ambulance Cash Balance	\$109,073		\$145,792		(\$34,130)		(\$179,922)	-123%
87	Fire & Ambulance Taxes, Penalty and Interest	\$59,897	14%	\$62,923	11%	\$54,571	9%	(\$8,352)	-13%
88	Ambulance Services Revenue	\$313,726	17%	\$435,206	32%	\$451,967	31%	\$16,761	4%
89	Total Fire & Ambulance Revenue	\$747,892	19%	\$908,429	27%	\$886,810	27%	(\$21,619)	-2%
90	Fire & Ambulance Expenditures	\$726,665	15%	\$725,153	22%	\$830,911	25%	\$105,758	15%
91	Revenues less Expenditures	\$21,226		\$183,276		\$55,898		(\$127,377)	
92									
93	Total Property Tax Supported Funds (not including General Fund)								
94	Total Property Tax Supported Cash	\$167,895		\$227,457		\$73,096		(\$154,361)	-68%
95	Total Property Tax Supported Revenue	\$1,625,247		\$1,872,235		\$1,864,279		(\$7,956)	0%
96	Total Property Tax Supported Expenditures	\$1,711,168		\$1,768,596		\$1,949,242		\$180,646	10%
97	Revenues less Expenditures	(\$85,921)		\$103,638		(\$84,963)		(\$188,602)	
98									
99	Other Tax, Fee & Assessment Supported Funds								
100									
101	Resort Tax Operating Cash Balance	\$1,691,978		\$2,979,987		\$2,893,858		(\$86,129)	-3%
102	Resort Tax Collections	\$1,397,750	33%	\$1,548,854	42%	\$1,637,954	41%	\$89,100	6%
103	Resort Tax Investment Earnings	\$2,198	23%	\$4,289	66%	\$10,437	44%	\$6,149	143%
104	Resort Tax Expenditures and Transfers	\$1,617,519	1%	\$408,586	10%	\$1,403,559	37%	\$994,973	244%
105	Revenues less Expenditures	(\$217,571)		\$1,144,557		\$244,833		(\$899,724)	
106									
107	Street and Alley Operating Cash Balance	\$1,251,653		\$1,356,051		\$1,099,486		(\$256,565)	-19%
108	Street and Alley Revenues	\$261,009	20%	\$286,825	19%	\$291,480	18%	\$4,655	2%
109	Street and Alley Expenditures	\$223,564	32%	\$252,786	12%	\$312,535	19%	\$59,749	24%
110	Revenues less Expenditures	\$37,445		\$34,039		(\$21,056)		(\$55,095)	
111									
112	Tax Increment Operating Cash Balance	\$1,660,920		\$872,344		\$1,039,513		\$167,169	19%
113	Tax Increment Property Taxes, Penalty & Interest	\$859,430	15%	\$826,572	14%	\$792,756	12%	(\$33,816)	-4%
114	Total Tax Increment Revenues	\$864,644	14%	\$841,986	13%	\$828,070	11%	(\$13,916)	-2%
115	Tax Increment Expenditures & Transfers	\$225,191	5%	\$77,904	1%	\$213,575	3%	\$135,670	174%
116	Revenues less Expenditures	\$639,453		\$764,082		\$614,495		(\$149,586)	
117									
118	Impact Fees Cash Balance	\$409,488		\$218,138		\$468,556		\$250,418	115%
119	Impact Fee Collections - Revenues	\$72,275	55%	\$88,496	47%	\$206,118	91%	\$117,622	133%
120	Impact Fee Collections - Expenditures	\$12,801	0%	\$0	0%	\$30,400	7%	\$30,400	N/A
121	Revenues less Expenditures	\$59,474		\$88,496		\$175,718		\$87,222	
122									
123	Street Lighting #1 Operating Cash Balance	\$28,411		\$29,047		\$36,023		\$6,976	24%
124	Street Lighting District #1 (Rsdntl) Revenues	\$8,865	12%	\$9,965	11%	\$10,848	9%	\$883	9%
125	Street Lighting District #1 (Rsdntl) Exp.	\$16,826	22%	\$16,123	17%	\$19,509	14%	\$3,386	21%
126	Revenues less Expenditures	(\$7,961)		(\$6,158)		(\$8,661)		(\$2,503)	
127									
128	Street Lighting #4 Operating Cash Balance	\$10,248		\$6,680		(\$2,048)		(\$8,728)	-131%
129	Street Lighting District #4 (Cmmrcial) Revenues	\$10,724	14%	\$11,438	13%	\$9,597	10%	(\$1,842)	-16%
130	Street Lighting District #4 (Cmmrcial) Exp.	\$11,504	19%	\$18,505	21%	\$10,113	15%	(\$8,391)	-45%
131	Revenues less Expenditures	(\$780)		(\$7,066)		(\$517)		\$6,550	
132									
133	Stormwater Cash Balance	\$567,253		\$632,164		\$627,506		(\$4,658)	-1%
134	Stormwater Revenues	\$10,628	14%	\$11,313	15%	\$12,818	4%	\$1,505	13%
135	Stormwater Expenditures	\$7,272	5%	\$8,906	6%	\$66,935	16%	\$58,029	652%
136	Revenues less Expenditures	\$3,356		\$2,407		(\$54,118)		(\$56,524)	

