

Staff Report



To: Mayor John Muhlfeld and City Councilors
 From: Dana Smith, Finance Director *Dana*
 Date: October 23, 2015
 Re: 1st Quarter Financial Report for Fiscal Year 2016

This quarterly financial report provides a summary version of the financial results of the City during the first quarter of fiscal year 2016. 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, 2015.

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 FY14 first quarter cash balance in column (a), the FY15 first quarter cash balance in column (b) and the FY16 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, 2013 Cash Balance	Sept 30, 2014 Cash Balance	Sept 30, 2015 Cash Balance	One Year Change
General	\$331,635	\$480,030	\$387,182	(\$92,848)
Parks & Recreation	(\$149,121)	(\$98,681)	(\$116,917)	(\$18,236)
Law Enforcement	\$141,995	\$54,871	\$68,785	\$13,914
Library	\$13,131	\$51,342	\$79,966	\$28,624
Fire & Ambulance	\$467,130	\$236,677	\$294,282	\$57,605
	\$804,770	\$724,239	\$713,298	(\$10,941)

Total cash in property tax supported funds as of September 30, 2015 decreased by \$10,941 or 1.6% compared to the balance on September 30, 2014. The decrease in the General Fund and Parks & Recreation fund was largely offset by the increase in the Law Enforcement, Library, and Fire & Ambulance Funds. The changes in each property tax supported fund from the prior year first quarter are discussed in detail below.

General Fund – The General Fund cash balance compared to a year ago has decreased by \$92,848 or 19%. Expenditures are tracking approximately the same as the prior year, even with the increased transfers per the FY16 budget. Therefore, the decrease is mainly due to the reduction in property tax revenue collections during the first quarter. During FY15 more property tax revenue was received from prior year billings, which pushed our revenue collections to 103% of the FY15 budget, most of which were collected in the first part of the fiscal year. This fiscal year, we have not seen a large amount of collections on prior year taxes. The budget, however, provides for an increase in property tax revenue that is billed in two payments due at the end November 2015 and May 2016.

Parks & Recreation Fund – The Parks & Recreation had a negative cash balance as of September 30, 2015 that was higher than the prior first quarter negative cash balance by \$18,236, or 33.8%. The continued negative cash balance in the first quarter is predominantly due to the timing of startup costs that must be incurred prior to a significant portion of the revenue being collected. Specifically, the ice rink required significant equipment repairs and the program as of October 14th, 2015, has expenditures exceeding revenues by \$63,324.

Law Enforcement Fund – The Fund had an overall increase in the cash balance of \$13,914 or 25.4% compared to the September 30th balance in the prior year. The revenues exceeded expenditures for the quarter by \$101,607. In addition, more grant monies are expected to be received in the coming month for expenditures that were made during the first quarter (COPS Grant). The total transfer from the General Fund to the Law Enforcement Fund increased in the FY16 Budget by 10.7% or \$200,000, which also assisted in providing a solid cash balance in the Law Enforcement Fund at the end of the first quarter.

Fire & Ambulance Fund – Similar to the Law Enforcement Fund, the Fire and Ambulance Fund ended the first quarter of FY16 with a higher cash balance than prior year. The increase in the transfer from the General Fund for FY16 is \$20,000, or 2.5%. Revenues exceeded expenditures by \$131,959 for the first quarter of FY16. The partial purchase of the fire apparatus in the first quarter of FY15 created a higher expenditure total compared to the first quarter of FY16. Currently, FY16 appears to be tracking very similar to FY14. During the second quarter, the purchase and financing of the SCBA equipment is anticipated.

Summary – Overall the decrease in the total cash balance from the prior year first quarter is minimal when looking at all property tax supported funds. Expenditures are tracking as expected with some deviations that are discussed in further detail below. Revenues are following the budget and the anticipated trend, with some minor delays in collections due to the timing of programs and grant revenue collections. The City finances remain in generally good condition with areas to monitor during the remainder of the fiscal year.

Financial Highlights

- The Columbia Falls Building Code Contract revenues collected during the first quarter of FY16 are 4% higher than the prior first quarter and are already at 38% of the FY16 budget.
- License and permit revenues in the Building Code Fund are tracking about the same as the prior year and are at 30% of the FY16 budget.
- Impact Fees are at 55% of the budgeted revenue for FY16 and are tracking similar to FY13 due to the large building projects in the City. The total 55% of budgeted revenue is further broken down among the various impact fees as follows: Paved Trails (24% of budget), Park Maintenance Building (24% of budget), Emergency Service Center (65% of budget), City Hall (62% of budget), and Stormwater (37% of budget).
- Zoning Plan Review Fees continue to generate revenue above expectations. Total fees collected are already 37% of the budgeted revenue to be received in FY16.
- As of September 30, 2015, planning fees were at 41% of the expected revenue for FY16.

- The Resort Tax collections depict an increase of 30%, but that is skewed by the increase in the Resort Tax rate from 2% to 3% as of July 1, 2014. Year-to-date the Resort Tax collections are at 33% of the FY16 budget.
- Water and Wastewater Impact fees continue to track higher than expected. Water Impact Fees are at 50%, while Wastewater Impact Fees are at 39% of the FY16 budget.
- Ambulance Service Charges are down 49% from the prior year first quarter, or \$176,488. This significant decrease is the result of ambulance billing being delayed because of the lack of available staff time. The preparation, packing, and moving of City Hall have all contributed to this timing issue. Currently the City has billed through September 1st, but a portion of August and all of September are not reflected in the revenue at the end of the first quarter.

Expenditure Review

Total expenditures in each fund at the end of the first quarter were at or below the expected percentage of budget authority to be used (25%), except the Street & Alley Fund (32%), Stormwater Fund (39%) and the Parks & Recreation Fund (29%). The Street & Alley and the Stormwater Fund both had higher expenditures during the first quarter of FY16 due to the timing of street overlays and stormwater drainage improvements. The Parks & Recreation Fund during the past three years has expended anywhere from 27% to 29% of its budgeted authority by the end of the first quarter. This slightly higher use of expenditures in the first part of the fiscal year is reasonable and can be expected due to the higher amount of maintenance needed at city parks and properties in the summer and the timing of operations of city beach and summer camp.

In addition to the fund totals, a review of line-items revealed the following potential issues that will be monitored throughout this year since they are significantly higher than expected by the end of the first quarter:

- General Fund
 - Overtime in the Administrative Service account and the Cemetery Services account is higher than expected at 77% and 70% of the budget, respectively. The total spent-to-date on overtime for these two accounts has increased \$1,158 and \$48. Although the dollar amount is small, the budget had been increased from the prior year and it would typically be expected that 25% of the budget be expended at this time. The primary reason for this increase in overtime was the prepping, packing, and moving of City Hall.
- Street and Alley Fund/Wastewater Fund
 - The Contracted Workers line-item in the Street fund is at 88% and the Wastewater Fund is at 133% of the budget. The total charged to these accounts, however, is offset in each fund by savings in the salaries and wages and employer contributions line-items. These line-item differences is related to the customer service clerk position in public works that has not been filled to-date, but for which temporary help continues to be needed.
- Parks & Recreation Fund
 - City Parks & Properties
 - Other Purchased Services was at 73% of the budget for FY16 at the end of the first quarter. The primary use of this was for equipment rentals and construction debris taken to the County land fill.

- The Contracted Workers account was also higher than expected, especially since no budget was identified for this line-item. Based on discussions with the Parks & Recreation Director, however, contracted labor was necessary due to issues filling seasonal/temporary positions at the City. The total seasonal/temporary account was at 39% and when taking into account the \$21,799 of contracted workers that is in a different line-item, seasonal/temporary wages would be 75% of the budget when the prior year was only 44%. Another issue compounding this is that the budget for seasonal/temporary workers in the City Parks & Properties activity was decreased by \$12,000 due to a re-allocation of seasonal/temporary workers.

- City Beach
 - The Repairs and Maintenance Services account was 96% of the budget at the end of the first quarter. These expenditures will likely increase when City Beach operations startup again for the summer of 2015.

- Community Ice Rink
 - Repair and Maintenance Services was 71% of the budget. Due to the numerous equipment issues at the facility, this was expected when reviewing accounts. However, this was not expected at the time of budget preparation. Even with the proposed management changes, this activity and accounts will be monitored.

- Youth Programs
 - Seasonal/Temporary wages was 203% of the budget at the end of the first quarter. This higher than expected amount is likely due to the budget being decreased by \$5,200 based on the re-allocation of seasonal/temporary wages among the different activities of the Parks & Recreation Department with no changes made in staffing at the program level.

- Summer Camp
 - Seasonal/Temporary wages account was 79% of the budget, but this is expected due to the timing of the summer camp and continues to track similar to prior year first quarters.

 - The Operating Supplies and Contracted Workers line-items are 109% and 61% of the budget at the end of the first quarter, respectively. These two line items appear to have had coding issues in the past that have since been changed in FY16. When both are combined the total budget spent to-date is tracking the same as the prior year and is related to the timing of the operations.

- Building Codes Fund
 - Contracted Workers account is 77% of the budget, which is expected since the department needed additional help due to staffing issues and an increase in workload. Although expected, this should be monitored throughout the year.

Additional Detailed Analysis

The following discussion further highlights the attached three spreadsheets.

General Fund Revenue (line 9 to 17)

Total General Fund revenues are 14% of budget and have decreased by 12% from the prior quarter. The decrease is primarily noted in property tax revenue with some varying changes in the other revenue types. The budgeted revenue from property taxes, however, provides for an increase in property tax revenue over the prior year which is due at the end November 2015 and May 2016. The analysis of property tax revenue during the second quarter will likely provide a more positive outlook on property tax revenue collections for FY16.

General Fund Expenditures, Net Revenue, & Cash (line 20 to 34)

Total General Fund expenditures are on track at 24% of the FY16 budget.

The General Fund cash balance was \$387,182 compared to \$480,030 at the end of the prior year's first quarter (see J34). The graph on page 1 of the spreadsheets shows the General Fund cash balance trends for the past three 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 12% or more each year is important to ensure an adequate cash balance throughout the year, which was also the direction received from the City Council during the budget process.

Other Property Tax Supported Funds (p.2, line 72 to 98)

The funds supported by property taxes have continued to have revenues exceed expenditures. Combined revenues and expenditures for the property tax supported funds, other than the General Fund, were both 19% of the budget at the end of the first quarter of FY16.

When compared to a year ago, these funds experienced an overall increase in cash with detailed discussion above. Also compared to the prior year, overall revenues and expenditures are down. The decrease in revenue is primarily driven by property tax revenue collection in the first quarter. A significant portion of the decrease in expenditures is attributed to the pre-payment on the Fire Department's water tender truck that was subsequently financed via an Inter-cap loan in the second quarter of FY15.

Other Tax, Fee, & Assessment Supported Funds (p.2, line 104 to 145)

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

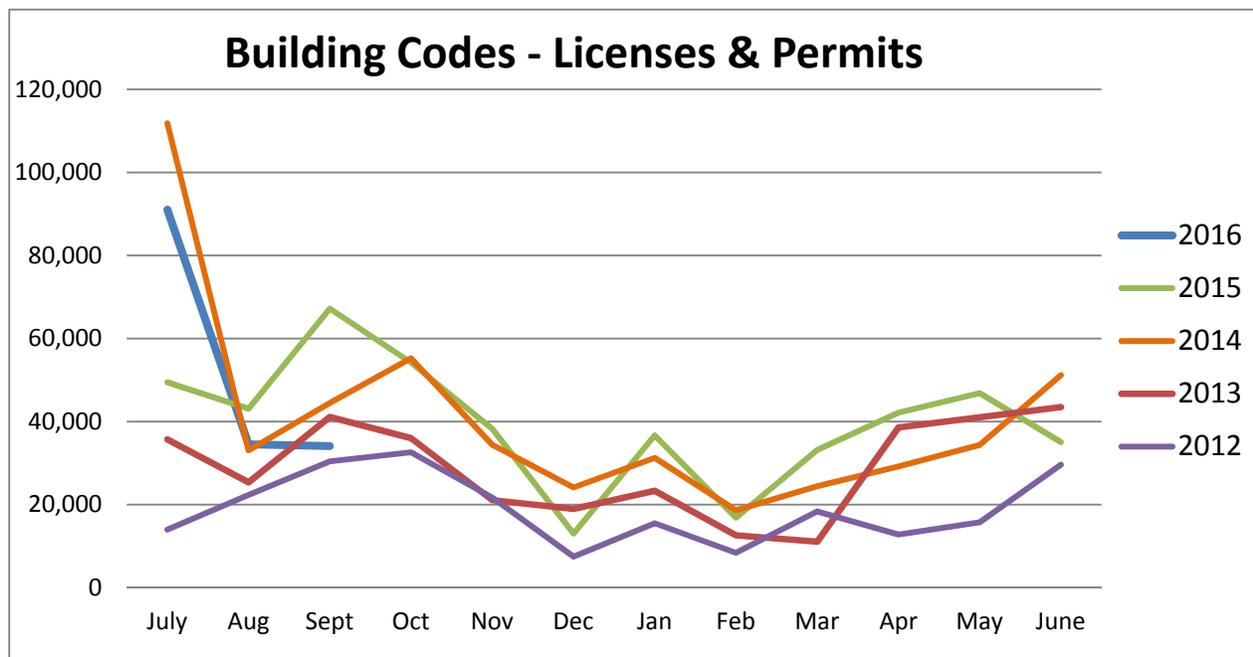
Resort Tax collections are at 33% of the budgeted revenues as of the end of the first quarter of FY16. Compared to the prior year there is a significant increase, but this is expected since the Resort Tax rate was increased from 2% to 3% as of July 1, 2015.

Street and Alley operations are in good financial condition even though revenues exceeded expenditures. The increase in expenditures (J112) during the first quarter was expected since two years' worth of street overlay projects were completed this summer.

During the first quarter, the *Tax Increment Fund* had an expected significant decrease in expenditures of 62% or \$584,563. This significant decrease was the result of the last \$750,000 payment being made to the school FY15. Thus, with revenues slightly down and expenditures significantly down, cash had a 49% increase during the first quarter compared to the prior first quarter.

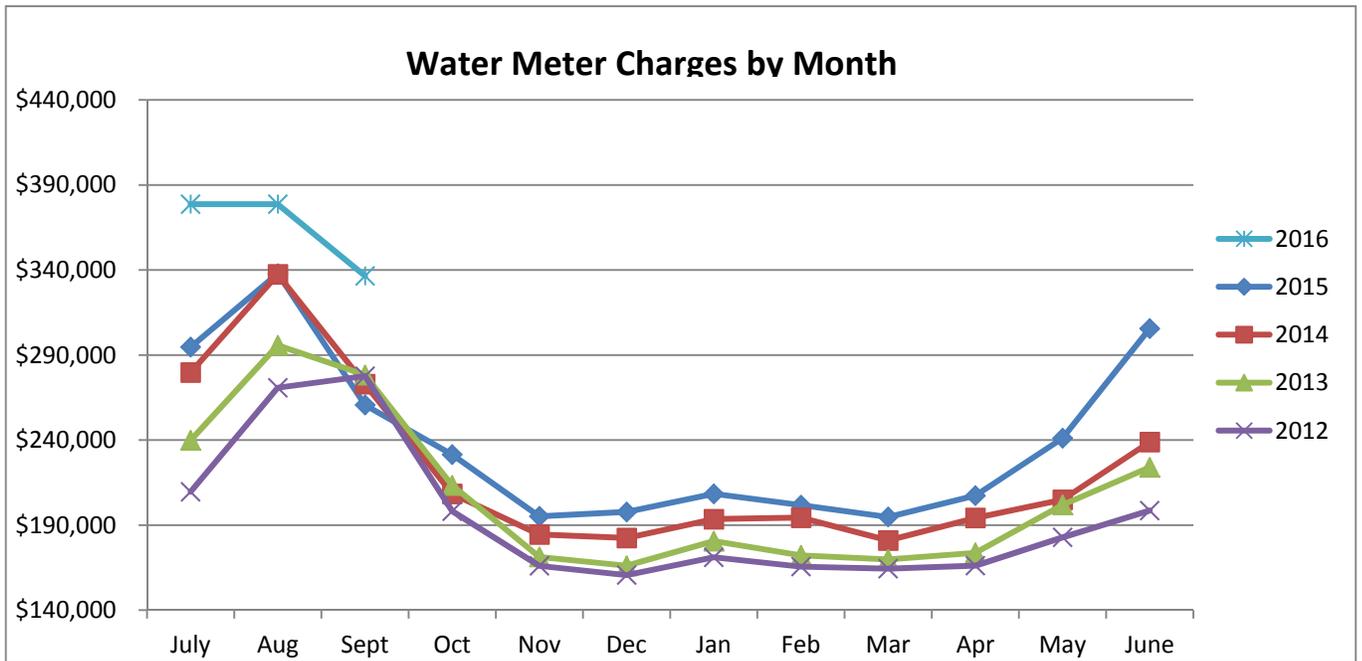
Impact Fee revenues have increased \$45,880 (J122) compared to the first quarter of FY15. This increase is due to the numerous building projects in the City. The current figures are trending with FY13 when impact fees were paid for the new high school building. At the end of the first quarter there are no expenditures since these are adjusted biannually at the end of December and June.

In prior years the *Building Code Fund* received loans from the General Fund to support operations during the recession and as a result was classified as a property tax supported fund. However, with a loan balance less than \$25,000 and an expected pay-off in FY16, the fund is now reported as a fund supported by fees. The higher revenue collection in the Building Code Fund from both the City of Whitefish and the contract with the City of Columbia Falls has continued into FY16. Due to staffing issues, the City has contracted with the City of Kalispell Building Department to complete the plan review for some commercial projects, which will likely reduce the plan review revenue in the coming months. However, other permit revenue is included in the licenses and permits revenue of the Fund.



Enterprise Funds (p.3)

Metered water sales are up 21%, or \$187,712, while wastewater service charges up 15%, or \$92,202. As depicted in the graph below, water sales increased significantly in June 2015, which has continued through September 2015. The growth in revenue in the first quarter is not related to the increase in rates, but instead is attributable to the increased consumption by water customers during the dry summer months when the City experience minimal precipitation and high temperatures starting in early June. This change in usage also affects the wastewater rates. Both water and wastewater revenues will continue to grow even more this year as a result of the approved rate increase of 1.3% for water rates and 2.3% for wastewater rates that went into effect as of October 1, 2015.



Capital expenditures in the water and wastewater funds are less than the prior year first quarter and will vary based on the projects in progress. Currently cash has been spent primarily on the birch point lift station project and the cow creek wastewater extension project in the wastewater fund. With the Hwy 93 West (Phase II) project wrapping up, financing and payment for the associated costs is expected to occur this December.

Solid Waste had an increase in revenues of 3% during the first quarter. A 3% rate increase also became effective as of October 1, 2015. Expenditures are trending similar to the prior first quarter with expenditures at 25% of the expected FY16 budget.

Overall the City's finances remain in generally good condition with areas to monitor during the remainder of the fiscal year. Please contact me if you have any questions on this report.

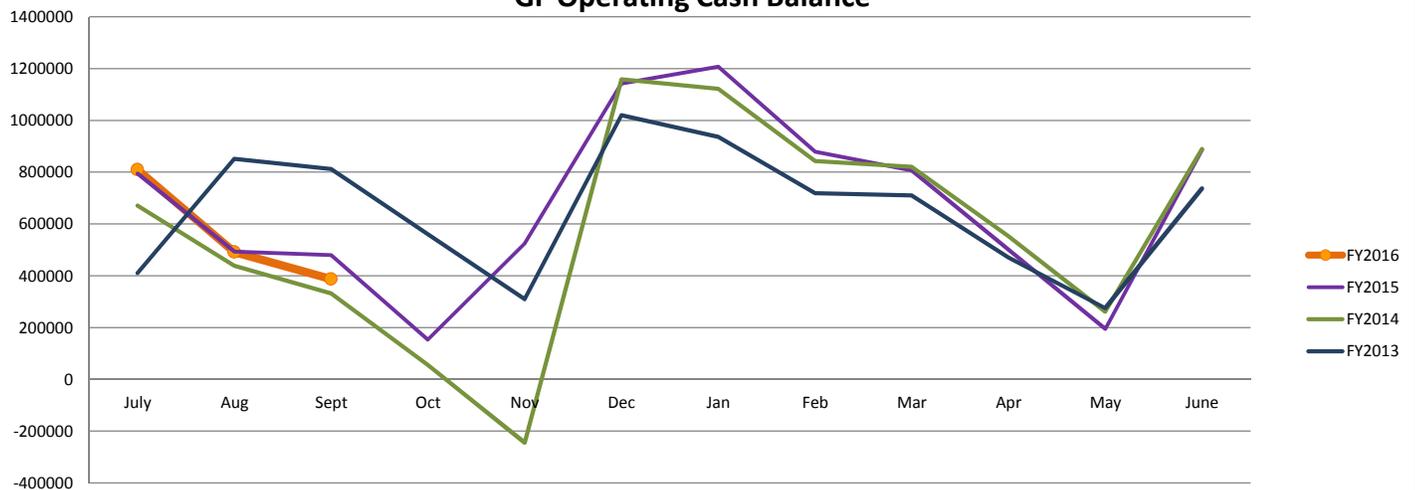
CITY OF WHITEFISH
Quarterly Financial Review
1st Quarter of Fiscal Year 2016
July 1, 2015 - September 30, 2015

100% of Fiscal Year Complete



	YTD Sep 30, 2013		YTD Sep 30, 2014		YTD Sep 30, 2015		Chng Prev YR	% Chng Prev Yr
	Dollars	% of Budget	Dollars	% of Budget	Dollars	% of Budget		
General Fund Revenues								
Property Taxes	\$254,423	13%	\$322,544	16%	\$256,217	12%	(\$66,327)	-21%
Total Licenses and Permits	\$3,548	6%	\$3,662	6%	\$3,928	6%	\$266	7%
Intergovernmental Revenue	\$185,439	24%	\$196,550	24%	\$201,949	24%	\$5,399	3%
Charges for Services	\$97,136	47%	\$79,208	33%	\$75,589	34%	(\$3,619)	-5%
Fines and Forfeitures	\$64,373	25%	\$59,928	26%	\$55,826	25%	(\$4,102)	-7%
Miscellaneous	\$30,106	75%	\$2,380	5%	\$1,680	3%	(\$700)	-29%
Investment Earnings	\$2,839	14%	\$4,377	29%	\$3,709	25%	(\$667)	-15%
Resort Tax & SID Revolving Transfer In	\$0	0%	\$0	0%	\$0	0%	\$0	0%
Total General Fund Revenues	\$637,863	16%	\$668,648	16%	\$598,899	14%	(\$69,750)	-12%
General Fund Expenditures								
Municipal Court	\$65,027	23%	\$63,404	21%	\$61,611	21%	(\$1,793)	-3%
Prosecution Services	\$24,380	25%	\$23,400	21%	\$0	0%	(\$23,400)	-100%
Administrative Services	\$40,193	49%	\$15,576	20%	\$20,990	20%	\$5,415	35%
Total Resort Tax Admin	\$0	0%	\$6,100	122%	\$5,355	82%	(\$745)	-12%
Legal Services	\$12,924	33%	\$8,334	20%	\$20,316	19%	\$11,982	144%
Community Planning	\$63,197	18%	\$67,355	17%	\$73,210	19%	\$5,855	9%
Transfer to Park Fund	\$150,750	25%	\$215,419	31%	\$162,809	25%	(\$52,610)	-24%
Transfer to Law Enforcement Fund	\$461,250	25%	\$471,250	25%	\$521,250	25%	\$50,000	11%
Transfer to Fire Fund	\$143,750	25%	\$203,750	25%	\$208,750	25%	\$5,000	2%
Transfer to Library Fund	\$8,593	25%	\$8,593	25%	\$8,593	25%	\$0	0%
Cemetery/Other	\$67,471	71%	\$14,295	18%	\$14,305	16%	\$9	0%
Total General Fund Expenditures	\$1,037,534	26%	\$1,097,475	25%	\$1,097,189	24%	(\$286)	0%
General Fund Revenues Less Expenditures	(\$399,670)		(\$428,827)		(\$498,290)		(\$69,463)	-16%
General Fund Operating Cash Balance	\$331,635		\$480,030		\$387,182		(\$92,848)	-19%
Prop Tax Supported Funds (no General) Net	\$172,125		\$58,397		\$23,992		(\$34,405)	
Prop Tax Supported Funds (no General) Cash	\$473,135		\$244,209		\$326,116		\$81,907	
Total General & Prop Tax Supported Funds Net	(\$227,546)		(\$370,430)		-\$474,299		(\$103,868)	
Total General & Prop Tax Supported Funds Cash	\$804,770		\$724,239		\$713,298		(\$10,941)	

GF Operating Cash Balance



	A	D	E	F	G	H	I	J	K
69	Property Tax Supported Funds	Sep 30, 2013		Sep 30, 2014		Sep 30, 2015			
70		Dollars	% of Budget	Dollars	% of Budget	Dollars	% of Budget	Chng Prev YR	% Chng Prev Yr
72	Parks and Rec Operating Cash Balance	(\$149,121)		(98,681)		(\$116,917)		(\$18,236)	18%
73	Parks, Rec & Community Services Revenues	\$383,986	23%	362,425	21%	\$313,004	17%	(\$49,420)	-14%
74	Parks, Rec & Community Services Exp.	\$420,301	27%	428,178	27%	\$505,877	29%	\$77,698	18%
75	Revenues less Expenditures	(\$36,315)		(65,754)		(\$192,872)		(\$127,119)	
76									
77	Law Enforcement Operating Cash Balance	\$141,995		54,871		\$68,785		\$13,914	25%
78	Law Enforcement Revenues	\$466,939	21%	472,324	19%	\$541,148	21%	\$68,824	15%
79	Law Enforcement Expenditures	\$392,495	17%	434,693	18%	\$439,541	17%	\$4,847	1%
80	Revenues less Expenditures	\$74,444		37,631		\$101,607		\$63,977	
81									
82	Library Operating Cash Balance	\$13,131		51,342		\$79,966		\$28,624	56%
83	Library Revenues	\$42,235	19%	39,184	19%	\$35,024	16%	(\$4,160)	-11%
84	Library Expenditures	\$49,489	24%	44,629	19%	\$51,727	20%	\$7,098	16%
85	Revenues less Expenditures	(\$7,254)		(5,445)		(\$16,703)		(\$11,258)	
86									
87	Fire & Ambulance Cash Balance	\$467,130		236,677		\$294,282		\$57,605	24%
88	Fire & Ambulance Taxes, Penalty and Interest	\$69,002	13%	87,930	16%	\$70,046	14%	(\$17,884)	-20%
89	Ambulance Services Revenue	\$324,092	34%	359,692	36%	\$183,204	17%	(\$176,488)	-49%
90	Total Fire & Ambulance Revenue	\$732,093	20%	845,991	23%	\$674,555	19%	(\$171,436)	-20%
91	Fire & Ambulance Expenditures	\$590,842	15%	754,026	20%	\$542,595	15%	(\$211,431)	-28%
92	Revenues less Expenditures	\$141,251		91,964		\$131,959		\$39,995	
93									
94	Total Property Tax Supported Funds (not including General Fund)								
95	Total Property Tax Supported Cash	\$473,135		\$244,209		\$326,116		\$81,907	34%
96	Total Property Tax Supported Revenue	\$1,625,252		\$1,719,924		\$1,563,732		(\$156,192)	-9%
97	Total Property Tax Supported Expenditures	\$1,453,128		\$1,661,527		\$1,539,740		(\$121,787)	-7%
98	Revenues less Expenditures	\$172,125		\$58,397		\$23,992		(\$34,405)	
99									
100	Other Tax, Fee & Assessment Supported Funds								
104	Resort Tax Operating Cash Balance	\$2,221,186		\$2,008,450		\$2,681,501		\$673,052	34%
105	Resort Tax Collections	\$800,698	41%	\$844,710	40%	\$1,095,892	33%	\$251,183	30%
106	Resort Tax Investment Earnings	\$984	16%	\$1,184	24%	\$1,162	23%	(\$22)	-2%
107	Resort Tax Expenditures and Transfers	\$722,717	24%	\$698,221	22%	\$74,802	1%	(\$623,419)	-89%
108	Revenues less Expenditures	\$78,965		\$147,673		\$1,022,253		\$874,579	
109									
110	Street and Alley Operating Cash Balance	\$957,507		\$1,156,395		\$1,005,848		(\$150,547)	-13%
111	Street and Alley Revenues	\$259,346	20%	\$296,376	22%	\$272,584	20%	(\$23,792)	-8%
112	Street and Alley Expenditures	\$329,242	19%	\$234,141	11%	\$685,405	32%	\$451,264	193%
113	Revenues less Expenditures	(\$69,896)		\$62,236		(\$412,821)		(\$475,056)	
114									
115	Tax Increment Operating Cash Balance	\$1,731,975		\$1,919,356		\$2,866,937		\$947,582	49%
116	Tax Increment Property Taxes, Penalty & Interest	\$745,131	17%	\$852,921	18%	\$783,324	15%	(\$69,597)	-8%
117	Total Tax Increment Revenues	\$752,894	16%	\$860,049	17%	\$788,756	14%	(\$71,293)	-8%
118	Tax Increment Expenditures & Transfers	\$879,675	16%	\$940,259	15%	\$355,697	5%	(\$584,563)	-62%
119	Revenues less Expenditures	(\$126,780)		(\$80,210)		\$433,059		\$513,269	
120									
121	Impact Fees Cash Balance	\$559,229		\$747,965		\$529,586		(\$218,379)	-29%
122	Impact Fee Collections - Revenues	\$132,794	103%	\$83,403	36%	\$129,282	55%	\$45,880	55%
123	Impact Fee Collections - Expenditures	\$0	0%	\$0	0%	\$0	0%	\$0	0%
124	Revenues less Expenditures	\$132,794		\$83,403		\$129,282		\$45,880	
125									
126	Street Lighting #1 Operating Cash Balance	\$59,547		\$42,348		\$34,448		(\$7,900)	-19%
127	Street Lighting District #1 (Rsdntl) Revenues	\$9,547	12%	\$12,442	16%	\$9,538	12%	(\$2,905)	-23%
128	Street Lighting District #1 (Rsdntl) Exp.	\$13,374	14%	\$14,520	17%	\$17,699	22%	\$3,180	22%
129	Revenues less Expenditures	(\$3,827)		(\$2,077)		(\$8,162)		(\$6,084)	
130									
131	Street Lighting #4 Operating Cash Balance	\$64,167		\$26,749		\$12,621		(\$14,128)	-53%
132	Street Lighting District #4 (Cmmrcial) Revenues	\$11,439	19%	\$11,504	17%	\$10,048	14%	(\$1,456)	-13%
133	Street Lighting District #4 (Cmmrcial) Exp.	\$13,064	10%	\$15,091	17%	\$15,926	19%	\$835	6%
134	Revenues less Expenditures	(\$1,625)		(\$3,587)		(\$5,878)		(\$2,291)	
135									
136	Building Code Operating Cash Balance	\$117,023		95,975		\$98,942		\$2,967	3%
137	Payable to the General Fund	(\$401,848)		(171,699)		(\$21,158)		\$150,542	-88%
141	License and Permits Revenues	\$190,124	61%	160,097	38%	\$159,617	30%	(\$480)	0%
142	Building Code Expenditures without C. Falls	\$75,619	25%	70,414	19%	\$76,619	17%	\$6,205	9%
143	Columbia Falls Contract Revenues	\$8,460	28%	18,210	46%	\$18,877	38%	\$667	4%
144	Columbia Falls Contract Expenditures	\$6,880	24%	6,986	23%	\$7,502	18%	\$516	7%
145	Revenues less Expenditures	\$116,085		100,907		\$94,373		(\$6,534)	

