

Staff Report



To: Mayor Muhlfeld and City Councilors
 From: Dana Smith, Interim City Manager
 Date: November 26, 2019 *Dana*
 Re: 1st Quarter Financial Report for Fiscal Year 2020

This quarterly financial report provides a summary version of the financial results of the City during the first quarter of Fiscal Year 2020 (FY20). 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, 2019.

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 FY18 first quarter cash balance in column (a), the FY19 first quarter cash balance in column (b) and the FY20 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, 2017 Cash Balance	Sept 30, 2018 Cash Balance	Sept 30, 2019 Cash Balance	One Year Change
General	\$198,868	\$383,296	\$814,357	\$431,061
Parks & Recreation	(42,778)	5,988	(48,377)	(54,366)
Law Enforcement	61,037	62,391	80,262	17,871
Library	63,406	38,847	26,095	(12,752)
Fire & Ambulance	145,792	(34,130)	(52,716)	(18,586)
	\$426,325	\$456,392	\$819,621	\$363,228

Total cash in property tax supported funds as of September 30, 2019 increased by \$363,228 or 79.57% compared to the balance on September 30, 2018. 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 FY20. However, the General Fund cash balance compared to a year ago has increased by \$431,061 or 112.5%. 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 \$430,000. As cash reserves in the General Fund continue to increase through future budget cycles, cash in the first quarter is also expected to increase each year.

Parks & Recreation Fund – The Parks & Recreation Fund had a negative cash balance as of September 30, 2019 (F72). The trend of 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. As in the past, the negative cash balance (short-term borrowing) is not a concern for us now since it is simply a timing of revenue collections verses expenditures. By the third quarter cash is projected to have a

positive balance once again. Ideally, no funds would have a negative cash balance at any point during the year, but the General Fund currently has monies available to temporarily fund the purchases in the first quarter for the Parks & Recreation Fund.

Law Enforcement Fund – Overall cash balance increased by \$17,871, or 28.6%, compared to the September 30th balance in the prior year. The change is mostly due to the increase in transfers from the General Fund to the Law Enforcement Fund of about 8%. With the increase in funds and expenditures remaining fairly flat with only 1% growth in the first quarter compared to the prior year, the growth in cash balance is expected. During the rest of the fiscal year, it is anticipated that the cash balance will continue to reduce to the budgeted amount of about \$24,700.

Library Fund – The Library Fund has continued to see a decrease in cash balance during the first quarter. The decrease of almost \$12,752 is due to expenditures continuing to exceed revenues, which has been on-going for the past three years due to required maintenance. The decrease in cash balance is a slight concern and will need to be addressed when preparing for the FY21 Budget. Cash reserves are expected to be at an all-time low of \$7,419 at the end of FY20.

Fire & Ambulance Fund – The Fire and Ambulance Fund ended the first quarter of FY20 with a lower cash balance than the prior year by \$18,586, or -54.46%. 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 as described above. The Fund started the new fiscal year off with about \$20,000 less than the prior year, which is the primary reason for the significant decrease.

Summary – Overall the City’s General Fund and 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 32% of the FY20 Budget (F13) and have increased 19% from the first quarter of the prior year (I13).
- Resort Tax collections are 38% of the FY20 Budget after the first quarter, but the total is about \$10,900 less than September 30, 2018. Overall, we continue to see growth in our collections so it is anticipated that by year-end we will have collected more than the prior year.
- Ambulance Service Charges are 27% of the budget, but down 6%, or -\$29,052 (H89). These revenues change based on call volume and types of calls, but we are at the expected revenue to budget so there is little concern with the decrease right now. We will continue to monitor this decrease in revenues due to the possibility of the trend continuing with interfacility transfer first going to the Evergreen Fire Department instead of the Whitefish Fire Department.
- License and permit revenues in the Building Code Fund (F141) are up about 77% from the prior year first quarter and total 63% of the FY20 Budget. The beginning of FY20 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 slightly from last year, however, historically this revenue source has remained steady around \$18,000 through FY15.

- With the new Impact Fee rates, revenue is down \$125,757 or 61% (I120). This change is expected since many of these rates significantly decreased. While projections for these revenues were difficult, the Impact Fee revenue is mostly tracking along with the FY20 Budget as follows: Paved Trails (24% of budget), Park Maintenance Building (188% of budget), Emergency Service Center (175% of budget), City Hall (17% of budget), and Stormwater (50% of budget).
- Water impact fees are at 64%, while wastewater impact fees are at 96% of the FY20 Budget. Like other impact fees the rates were changed before the start of the fiscal year, but Water was increased during FY20 due to increased capital needs. While it was anticipated that we would see an increase in revenue due to the increase in rates, these revenues also track with the building permits so these revenues are also much higher than projected.
- As of September 30, 2019, zoning plan review fees were at 65% of the expected revenue for FY20, while planning fees have remained steady at about 24% of the budget or \$3,000 more than the prior year.
- Investment earnings continue to increase and exceed the prior year first quarter by almost \$20,000. This trend of growth over the prior year will likely slow as the Federal Reserve is likely to cut rates one more time before a likely stagnant period during the Presidential campaign/election. While investment earnings are a great source of income, it is not always a steady source. We continue to monitor our investing strategies as the State's Short-term Investment Pool (STIP) has just recently dipped below 2.0%, which is still far from the 0.10% we were earning in 2014.

Expenditure Review

Total expenditures by fund were at or below the anticipated percentage of budget authority to be used (20-29% for most funds) as of September 30, 2019.

In addition to the fund totals, a review of line-items revealed very few issues. The Fire & Ambulance Fund will be closely monitored as we have expended more than anticipated in operating supplies at this point and we have incurred additional costs by sending our staff to California, but those costs will be fully reimbursed by the requesting agency. A budget amendment may be necessary as a result of these increase in costs. The timing of weather and programs can also skew the percentage of budget used at the end of the first quarter. For example, more trail work and construction projects are completed during 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. In the mid-year report, if more 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 13% of the FY20 Budget and have increased \$91,723 from the first quarter of FY19. The increase in property tax revenues and assessments, municipal court fines, and charges for services (planning/zoning fees) were the primary revenues that increased. The FY20 Budget provides for increased property tax revenue, but the property tax bills for this fiscal year will not be due until November and May. The amount we have collected to-date is actually from the prior year property taxes and assessments for real and personal property.

General Fund Expenditures, Net Revenue, & Cash (line 19 to 34)

Total General Fund expenditures are on track at 24% of the FY20 Budget. Expenditures have increased 7%, which is mostly due to the purchase of two new servers (~\$21,000), the increase in transfers to other property tax supported funds that was appropriated in the FY20 Budget, and the anticipated increase in wages and benefits.

The General Fund cash balance was \$814,357 compared to \$383,296 at the end of the prior year's first quarter (see line 34). The graph on page 1 of the spreadsheets shows the General Fund cash balance trends for the past five 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% is important to ensure an adequate cash balance throughout the year and to be prepared for economic changes. We have continued to make steps toward this goal each year.

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

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 increased by 3% while expenditures have increased at a higher rate of 11%. Each fund is mostly in-line with the FY20 Budget, but we must be prepared to address the continued decrease in the Library Fund's cash balance and the possible budget issues in the Fire & Ambulance Fund described above.

Other Tax, Fee, & Assessment Supported Funds (p.2 & 3, line 100 to 150)

The funds on the second half of the second page and top of the third 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 38% of budgeted revenues as of September 30, 2019. Compared to the prior year revenue has decreased about 1%, but we anticipate we will see some growth by year-end. Furthermore, expenditures have also decreased by about 26% due to the timing of the State Park Road Improvement Project and other approved capital projects.

Street and Alley operations continue to be in good financial condition. Revenues increased by 4%, or \$12,516 (H109), while expenditures increased by 6%, or \$18,084, compared to the first quarter of FY19. The increase in expenditures is expected due to the timing of construction projects including the asphalt preservation, sealant, and stripping on E. 2nd Street and throughout town.

At the end of the first quarter, the *Tax Increment Fund's* cash balance came in 118%, or \$1,230,956 (H113), higher than the prior year. Overall expenditures are tracking higher than FY19, which is mostly due to the timing of the Depot Park and Central Avenue (Slump) Improvement projects. Revenues are about 12% higher than the prior year at this time and will increase during the second quarter once we receive the majority of revenue from property tax collections. The budget anticipates growth in revenues, but also in expenditures. In January we will dive into the TIF projections and allocation of remaining funds to make sure we are on track when the TIF District sunsets on July 15, 2020.

Impact Fee Fund revenues have decreased 61%, or -\$125,757 (H120), compared to the first quarter of FY19. This decrease is due to reduction in rates for the ESC and City Hall Impact Fees based on the study from FCS Group. Cash balance, however, has increased significantly due to 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. After FY20 we will get a better idea of the effect the rates changes will have on these revenue accounts.

Both *Lighting District Funds* will have slight increases in assessments during FY20. However, due to the timing of collections and the LED Upgrade Project rebate from Flathead Electric of \$8,100, the *Commercial Lighting District Fund* has revenue collections 127% higher than the prior year. The cash balance has also significantly improved compared to the prior year, which was negative due to the LED Upgrade Project timing. In FY20 the *Residential Lighting District Fund* will have higher expenditures due to the beginning of the LED Upgrade Project in our Residential District, which is shown in the increase in expenditures of 133% compared to the first quarter of FY19. We do anticipate a rebate for this project upon completion and significant savings in operating costs.

Stormwater revenues are about 224% higher than the prior year, due to the significant increase in the FY19 assessment not being collected until December 2019. No increase was budgeted in FY20, so by the end of the year we will only see a slight increase due to new construction and annexations as of December 2018. Furthermore, expenditures have decreased, but this is mostly due to the timing of capital projects. Personnel costs have continued to be budgeted to this fund, which includes the increase in salaries and benefits.

The *Building Code Fund* cash balance has increased by about 128% compared to the first quarter of FY19. This increase is partially due to the fund starting the year off with a cash balance that was \$290,000 more than the start of FY19, but also the increase in building permits. Furthermore, revenues from building activities in Whitefish continue to grow, while revenues in Columbia Falls have slowed slightly. The beginning of FY20 has seen the continuance of a strong commercial and residential development environment. We will need to monitor the cash reserves as there is a requirement that the cash reserves generated from building permit fees do not exceed 12 months of operating expenses for the building code program.

Due to the implementation of the Legacy Homes Program, the *Cash in Lieu of Affordable Housing Fund* is now included in this quarterly report. At this point the fund is intended to account for any payments required by the Legacy Homes Program and future use or disbursement of monies will need to be discussed by the City Council. We anticipate collecting the final payment from the Alta Views development in June of 2019, which will bring the revenue and cash balance over \$500,000 regardless of other projects that may come through during the year.

Enterprise Funds (p.3, line 152 to 182)

Metered water sales took a slight dip during the first quarter by about -4%, or \$44,907, while wastewater service charges were up 11%, or \$108,349. Comparatively, wastewater rates were increased significantly in October 2018 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 also 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, 2019.

Capital expenditures in the Water and Wastewater Funds are higher 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 treatment plant expansion project design, water main improvements, Glenwood Estates sewer improvements, and continued engineering for the wastewater treatment plant upgrade.

Summary

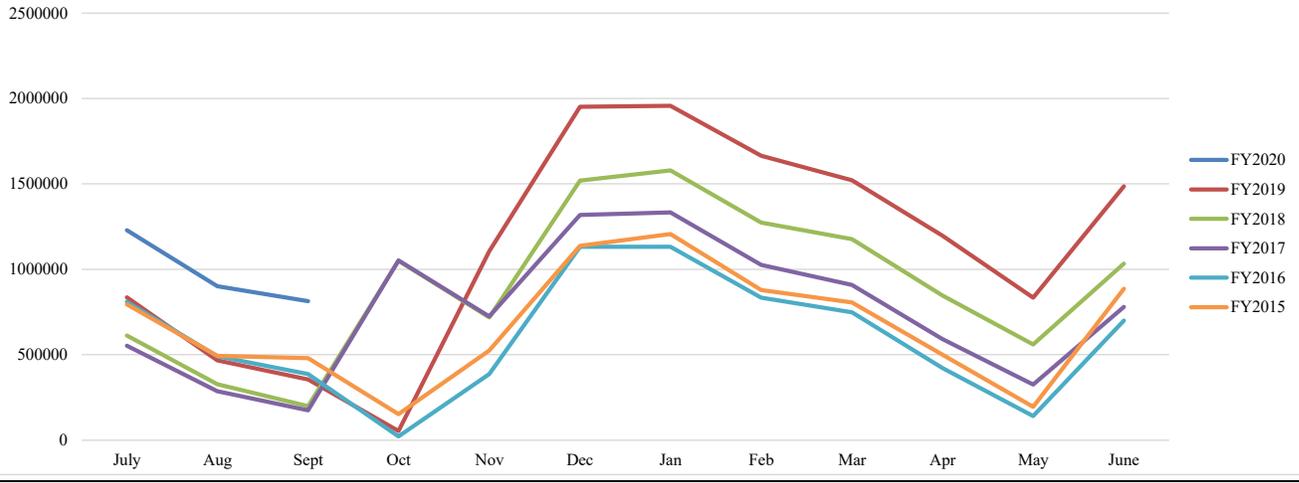
Overall the City's finances remain in generally good condition with areas to monitor during the remainder of the fiscal year. The City is continuing to see a good return on our investments, the continuation of a strong building environment, and Resort Tax collections continuing to remain strong. FY20 is shaping up to be a great year with some challenges ahead.

CITY OF WHITEFISH
Quarterly Financial Review
1st Quarter of Fiscal Year 2020
July 1, 2019 - September 30, 2019



	YTD Sep 30, 2017	% of Budget	YTD Sep 30, 2018	% of Budget	YTD Sep 30, 2019	% of Budget	Chng Prev YR	% Chng Prev Yr
General Fund Revenues								
Property Taxes	\$230,307	10%	\$204,043	10%	\$222,737	10%	\$18,694	9%
Total Licenses and Permits	\$2,250	3%	\$9,158	3%	\$10,758	7%	\$1,600	17%
Intergovernmental Revenue	\$210,520	24%	\$215,165	24%	\$222,945	24%	\$7,780	4%
Charges for Services	\$71,498	29%	\$75,301	29%	\$112,579	43%	\$37,279	50%
Fines and Forfeitures	\$87,991	35%	\$98,197	35%	\$116,460	32%	\$18,263	19%
Miscellaneous	\$11,732	13%	\$7,628	13%	\$6,603	7%	(\$1,026)	-13%
Investment Earnings	\$7,325	27%	\$17,437	27%	\$26,570	31%	\$9,133	52%
Resort Tax & SID Revolving Transfer In	\$0	0%	\$0	0%	\$0	0%	\$0	0%
Total General Fund Revenues	\$621,623	13%	\$626,929	13%	\$718,652	13%	\$91,723	13%
General Fund Expenditures								
Municipal Court	\$71,298	24%	\$76,161	24%	\$70,218	22%	(\$5,942)	-8%
Administrative Services	\$54,233	37%	\$27,861	37%	\$53,919	29%	\$26,058	94%
Total Resort Tax Admin	\$77	1%	\$955	1%	\$277	3%	(\$678)	-71%
Legal Services	\$14,463	21%	\$15,607	21%	\$15,763	20%	\$156	1%
Community Planning	\$91,234	20%	\$110,916	20%	\$126,688	22%	\$15,773	14%
Parking Facility Maintenance	\$17,778	38%	\$24,123	30%	\$13,741	15%	(\$10,381)	-43%
Transfer to Park Fund	\$175,280	25%	\$198,497	25%	\$204,651	25%	\$6,153	3%
Transfer to Law Enforcement Fund	\$573,171	25%	\$591,716	25%	\$636,309	25%	\$44,593	8%
Transfer to Fire Fund	\$182,381	25%	\$175,095	25%	\$213,273	25%	\$38,178	22%
Transfer to Library Fund	\$8,593	25%	\$8,593	25%	\$8,593	25%	\$0	0%
Cemetery/Other	\$30,782	19%	\$37,665	24%	\$13,863	12%	(\$23,802)	-63%
Total General Fund Expenditures	\$1,219,291	25%	\$1,267,188	25%	\$1,357,294	24%	\$90,107	7%
General Fund Revenues Less Expenditures	(\$597,668)		(\$640,258)		(\$638,642)		\$1,616	0%
General Fund Operating Cash Balance	\$198,868		\$383,296		\$814,357		\$431,061	112%
Prop Tax Supported Funds (no General) Net	\$103,638		(\$84,963)		(\$247,407)		(\$162,444)	
Prop Tax Supported Funds (no General) Cash	\$227,457		\$73,097		\$5,264		(\$67,833)	
Total General & Prop Tax Supported Funds Net	(\$494,029)		(\$725,222)		(\$886,050)		(\$160,828)	
Total General & Prop Tax Supported Funds Cash	\$426,325		\$456,392		\$819,621		\$363,228	

General Fund Cash Balance Trend



	A	B	C	D	E	F	G	H	I
69		Sep 30, 2017		Sep 30, 2018		Sep 30, 2019			
70	Property Tax Supported Funds	Dollars	% of Budget	Dollars	% of Budget	Dollars	% of Budget	Chng Prev YR	% Chng Prev Yr
72	Parks and Rec Operating Cash Balance	(\$42,778)		\$5,989		(\$48,377)		(\$54,366)	908%
73	Parks, Rec & Community Services Revenues	\$292,690	18%	\$326,875	20%	\$383,916	22%	\$57,041	17%
74	Parks, Rec & Community Services Exp.	\$441,452	27%	\$461,399	26%	\$507,330	29%	\$45,931	10%
75	Revenues less Expenditures	(\$148,762)		(\$134,524)		(\$123,414)		\$11,110	
76									
77	Law Enforcement Operating Cash Balance	\$61,037		\$62,391		\$80,262		\$17,871	29%
78	Law Enforcement Revenues	\$641,645	26%	\$622,997	23%	\$685,710	24%	\$62,713	10%
79	Law Enforcement Expenditures	\$536,517	22%	\$590,367	22%	\$597,983	21%	\$7,617	1%
80	Revenues less Expenditures	\$105,128		\$32,630		\$87,726		\$55,096	
81									
82	Library Operating Cash Balance	\$63,406		\$38,847		\$26,095		(\$12,752)	-33%
83	Library Revenues	\$29,471	12%	\$27,597	11%	\$28,545	11%	\$948	3%
84	Library Expenditures	\$65,475	22%	\$66,565	22%	\$66,073	21%	(\$492)	-1%
85	Revenues less Expenditures	(\$36,004)		(\$38,968)		(\$37,527)		\$1,440	
86									
87	Fire & Ambulance Cash Balance	\$145,792		(\$34,130)		(\$52,716)		(\$18,586)	54%
88	Fire & Ambulance Taxes, Penalty and Interest	\$62,923	11%	\$54,571	9%	\$59,521	9%	\$4,950	9%
89	Ambulance Services Revenue	\$435,206	32%	\$451,967	31%	\$422,916	27%	(\$29,052)	-6%
90	Total Fire & Ambulance Revenue	\$908,429	27%	\$886,810	27%	\$820,816	23%	(\$65,993)	-7%
91	Fire & Ambulance Expenditures	\$725,153	22%	\$830,911	25%	\$995,009	27%	\$164,097	20%
92	Revenues less Expenditures	\$183,276		\$55,898		(\$174,192)		(\$230,090)	
93									
94	Total Property Tax Supported Funds (not including General Fund)								
95	Total Property Tax Supported Cash	\$227,457		\$73,097		\$5,264		(\$67,833)	-93%
96	Total Property Tax Supported Revenue	\$1,872,235		\$1,864,279		\$1,918,987		\$54,708	3%
97	Total Property Tax Supported Expenditures	\$1,768,596		\$1,949,242		\$2,166,395		\$217,152	11%
98	Revenues less Expenditures	\$103,638		(\$84,963)		(\$247,407)		(\$162,444)	
99									
100	Other Tax, Fee & Assessment Supported Funds								
101									
102	Resort Tax Operating Cash Balance	\$2,979,987		\$2,893,858		\$3,638,400		\$744,542	26%
103	Resort Tax Collections	\$1,548,854	42%	\$1,637,954	41%	\$1,627,047	38%	(\$10,907)	-1%
104	Resort Tax Investment Earnings	\$4,289	66%	\$10,437	44%	\$12,778	30%	\$2,340	22%
105	Resort Tax Expenditures and Transfers	\$408,586	10%	\$1,403,559	37%	\$1,033,402	19%	(\$370,156)	-26%
106	Revenues less Expenditures	\$1,144,557		\$244,833		\$606,422		\$361,589	
107									
108	Street and Alley Operating Cash Balance	\$1,356,051		\$1,099,486		\$1,412,512		\$313,026	28%
109	Street and Alley Revenues	\$286,825	19%	\$291,480	18%	\$303,996	18%	\$12,516	4%
110	Street and Alley Expenditures	\$252,786	12%	\$312,535	19%	\$330,620	24%	\$18,084	6%
111	Revenues less Expenditures	\$34,039		(\$21,056)		(\$26,624)		(\$5,568)	
112									
113	Tax Increment Operating Cash Balance	\$872,344		\$1,039,513		\$2,270,469		\$1,230,956	118%
114	Tax Increment Property Taxes, Penalty & Interest	\$826,572	14%	\$792,756	12%	\$887,646	12%	\$94,891	12%
115	Total Tax Increment Revenues	\$841,986	13%	\$828,070	11%	\$1,383,599	17%	\$555,529	67%
116	Tax Increment Expenditures & Transfers	\$77,904	1%	\$213,575	3%	\$370,413	4%	\$156,838	73%
117	Revenues less Expenditures	\$764,082		\$614,495		\$1,013,186		\$398,690	
118									
119	Impact Fees Cash Balance	\$218,138		\$468,556		\$538,094		\$69,538	15%
120	Impact Fee Collections - Revenues	\$88,496	47%	\$206,118	91%	\$80,361	46%	(\$125,757)	-61%
121	Impact Fee Collections - Expenditures	\$0	0%	\$30,400	7%	\$786	1%	(\$29,614)	-97%
122	Revenues less Expenditures	\$88,496		\$175,718		\$79,575		(\$96,143)	
123									
124	Street Lighting #1 Operating Cash Balance	\$29,047		\$36,023		\$8,827		(\$27,196)	-75%
125	Street Lighting District #1 (Rsdntl) Revenues	\$9,965	11%	\$10,848	9%	\$11,126	9%	\$279	3%
126	Street Lighting District #1 (Rsdntl) Exp.	\$16,123	17%	\$19,509	14%	\$45,417	52%	\$25,908	133%
127	Revenues less Expenditures	(\$6,158)		(\$8,661)		(\$34,290)		(\$25,629)	
128									
129	Street Lighting #4 Operating Cash Balance	\$6,680		(\$2,048)		\$60,444		\$62,492	-3051%
130	Street Lighting District #4 (Cmmrcial) Revenues	\$11,438	13%	\$9,597	10%	\$21,743	22%	\$12,146	127%
131	Street Lighting District #4 (Cmmrcial) Exp.	\$18,505	21%	\$10,113	15%	\$8,674	15%	(\$1,439)	-14%
132	Revenues less Expenditures	(\$7,066)		(\$517)		\$13,069		\$13,585	
133									
134	Stormwater Cash Balance	\$632,164		\$627,506		\$836,728		\$209,222	33%
135	Stormwater Revenues	\$11,313	15%	\$12,818	4%	\$41,584	9%	\$28,766	224%
136	Stormwater Expenditures	\$8,906	6%	\$66,935	16%	\$46,484	6%	(\$20,452)	-31%
137	Revenues less Expenditures	\$2,407		(\$54,118)		(\$4,900)		\$49,218	

