



Quarterly Financial Report

City of Florissant, Missouri

Second Quarter Ended May 31, 2015

June 17, 2014

OVERVIEW

At the mid-point of the 2015 fiscal year revenue results in the three major funds, general, capital improvement and park improvement, are mixed. General fund revenue is underperforming, down \$16,337 or 0.14%. Total general fund revenue of \$11,901,634 includes the sewer lateral cross charge of \$427,783 which in the previous year was not booked until June so the 2015 numbers are overstated when compared to the 2014 numbers. When the cross charge is adjusted out of the 2015 mid-year total then total general fund revenue is down \$444,120 or 3.7% when compared to 2014. Both the capital improvement and park improvement sales tax funds are comfortably ahead of this same point in 2014, up \$87,201 and \$67,044 respectively.

When comparing year-to-date revenue to the projected mid-year revenue budget, general fund revenue is just short of the projection, missing the mark by \$32,716. While we would prefer to be ahead of projections, a shortage of 0.27% is not particularly significant on projected revenue of \$11,934,350. Both the Capital Improvement Fund and the Park Improvement Fund are comfortably ahead of budget projections, exceeding projections by \$85,762 or 5.3% and \$65,864 or 4.3% respectively.

A review of the expenditure accounts reveals very few significant issues. The gasoline and utility accounts appear to be in good shape except for the Koch pool utility account due to a large catch-up billing from the Metropolitan Sewer District (MSD). Several salary accounts will also require ongoing monitoring as we progress through the balance of the fiscal year.

GENERAL FUND REVENUE

GASOLINE TAX includes the motor vehicle fuel tax (gas tax) and the motor vehicle fee increases (fee increases) which are both collected and distributed by the Missouri Department of Revenue based on the city's population as a percent of a statewide pool.

When compared to the prior fiscal year revenue is up \$37,173 or 4.9%. While this is encouraging, gasoline tax revenues are still \$52,123 less than the same point in 2011. For 2015 the budget was set at \$1,550,000 which is \$25,000 more than the 2014 budget. This reflects confidence that gasoline tax will continue to increase, a trend dating back to 2013. The prorated budget for the gasoline tax at mid-year is \$755,000. Revenue exceeds this goal by \$45,305 or 6.0% which is very encouraging.

Historically, about 51% of gasoline tax revenue is received in the final six months of the fiscal year. If this pattern holds, estimated revenue is projected to be \$1,633,275 which would be \$83,275 ahead of the budget of \$1,550,000.

Gasoline Tax:

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|----------------|---------|---------|---------|---------|---------|---------|
| Actual | 850,468 | 852,428 | 776,128 | 750,920 | 763,132 | 800,305 |
| Budget | 774,000 | 845,000 | 812,000 | 760,000 | 745,000 | 755,000 |
| (+)/(-) Prior | 60,864 | 1,960 | -76,300 | -25,208 | 12,212 | 37,173 |
| (+)/(-) Budget | 76,468 | 7,428 | -35,872 | -9,080 | 18,132 | 45,305 |

UTILITY TAX represents the license tax on electric, gas (heating), telephone (landline and cell), and water utilities. The current rate of 7% has been in place since January of 2010.

When compared to the prior fiscal year combined utility tax receipts are down 4.5% or \$145,398. When compared to 2013, 2012 and 2011, revenue is down \$20,748, up \$150,424 and down \$156,996 respectively. This is an indication of how the variability of weather plays such an important role in annual utility license tax receipts.

Breaking down the utility tax into the four component pieces of electric, gas, telephone, and water reveals that electric is down 0.3% or \$3,786, gas is down 0.7% or \$7,559, telephone is down 12.9% or \$98,766, and water is down 15.5% or \$35,287 when compared to the prior fiscal year. Electric, gas and water can all be attributed to vagaries in the weather from one year to the next. Declines in telephone gross receipts, however, are not attributable to the whims of the weather. The proliferation of vendors in the telephone industry combined with the multiplicity of cell phones appears to have created a systematic difficulty in assessing and collecting the utility license tax. Efforts are being made to enforce collection of telephone gross receipts license tax fees but those efforts are proving very difficult as the industry is changing so rapidly.

The mid-year budget is set at \$3,230,000 and actual receipts are \$164,775 under this projection. The summer weather could help the utility tax to narrow the gap between actual receipts and the budget projection but it's doubtful that it will be enough to overcome the difficult start and the systemic issues with telephone receipts.

Utility Tax:

| Year | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Actual | 2,687,640 | 3,222,221 | 2,914,801 | 3,085,973 | 3,210,623 | 3,065,225 |
| Budget | 3,066,000 | 2,970,000 | 2,955,000 | 2,910,000 | 3,060,000 | 3,230,000 |
| (+)/(-) Prior | 531,073 | 534,581 | -307,420 | 171,172 | 124,650 | -145,398 |
| (+)/(-) Budget | -378,360 | 252,221 | -40,199 | 175,973 | 150,623 | -164,775 |

ROAD AND BRIDGE TAX represents the city's portion of the countywide 10.5 cent property tax. Receipts are tied closely to the city's assessed value. Total assessed valuation has dropped from \$684.1 million at its peak in 2007 to \$530.3 million with the initial 2015 valuation, a drop of 22.5%. Real estate assessed valuation accounts for about 83% of total assessed value and has dropped from \$579.9 million in 2007 to \$437.5 million in 2015, a drop of \$142.4 million or 24.6% since 2007.

For the 2008 fiscal year the city received \$700,642 from the road and bridge tax. In fiscal year 2014 the city received \$551,289 in revenue, a drop of \$149,353 or 21.3%. The 2015 budget of \$550,000 is down \$25,000 from the 2014 budget. At the mid-point in the year the city has received \$506,791. This is \$23,640 less than the same point last year and \$22,209 below the mid-year budget projection. It is highly unlikely that distributions for the remaining six months will be enough to make up for this deficit.

Road and Bridge Tax:

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|----------------|---------|---------|---------|---------|---------|---------|
| Actual | 610,408 | 611,622 | 557,718 | 564,717 | 530,431 | 506,791 |
| Budget | 604,000 | 599,000 | 580,500 | 552,500 | 553,000 | 529,000 |
| (+)/(-) Prior | -28,004 | 1,214 | -53,904 | 6,999 | -34,286 | -23,640 |
| (+)/(-) Budget | 6,408 | 12,622 | -22,782 | 12,217 | -22,569 | -22,209 |

SALES TAX represents revenue from two sources, the 1% countywide sales tax and the state-wide motor vehicle sales tax. Both revenues are pooled and distributed based on the city's population as a percent of the pool population.

With a budget of \$7.5 million, sales tax is the single largest revenue source in the general fund. When compared to the prior fiscal year revenue is up 2.4% or \$86,088. This is very encouraging as 2014 represented a significant increase over the previous four years when sales tax receipts were virtually flat. While sales tax revenue can be very volatile the performance so far this year has remained strong. Sales tax receipts finished at \$7.8 million for fiscal year 2014. With the performance for the first six months 2015 sales tax could again finish in the \$7.8 million range which would well exceed the budget.

Sales Tax:

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|----------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Actual | 3,114,787 | 3,238,164 | 3,218,417 | 3,295,648 | 3,551,401 | 3,637,489 |
| Budget | 3,220,000 | 3,020,000 | 3,095,000 | 3,240,000 | 3,245,000 | 3,390,000 |
| (+)/(-) Prior | -97,499 | 123,377 | -19,747 | 77,231 | 255,753 | 86,088 |
| (+)/(-) Budget | -105,213 | 218,164 | 123,417 | 55,648 | 306,401 | 247,489 |

TOTAL GENERAL FUND REVENUE is nearly dead even with last year, down \$16,337 or 0.14%. As discussed in the overview on page one, year-to-date revenue includes the sewer lateral cross charge while the 2014 year-to-date numbers do not which skews the comparison between years. When an adjustment is made to account for this difference, the current year is down \$444,120 when compared to last year. These results are not particularly encouraging. However, it's worth noting that two revenue sources account for 97% of this difference.

When compared to the six month projected budget of \$11,934,350, revenue is \$32,716 behind projections. Sales tax is \$247,489 ahead of projections followed by miscellaneous revenue at \$63,403, gasoline tax at \$45,305, and cable TV at \$41,042. On the negative side of the ledger the municipal court and the utility tax are behind budget projections by \$251,695 and \$164,775 respectively followed by the golf course at \$82,625 and the road and bridge tax at \$22,209.

Over Budget: The most significant revenue source ahead of budget projections at the mid-year point is the sales tax which is ahead of the budget projection by \$247,489, primarily due to a conservative budget estimate and a second consecutive year of strong performance. The recent history of sales tax has seen consistently flat returns so two years in a row with increasing revenue is very encouraging. Gasoline tax likewise reflects two strong year in a row and is \$45,305 ahead of budget projections. Gasoline prices at the pump have dropped significantly over the

past year or so and this may have contributed to increased utilization to offset the rise in miles-per-gallon efficiencies. Business license revenue is ahead of projections by \$25,567. This is reflective of increases in sales by the larger retail businesses but such increases are not uniform for all businesses. The majority of businesses continue to experience flat gross receipts which has been the case for many years. The timing of business license payments also comes into play and this may smooth out as we progress through the fiscal year. Cable TV is \$41,042 ahead of budget projections and is also reflective of a multi-year trend of increasing revenues which reflects competition in the industry.

Under Budget: Utility tax receipts are \$145,398 less than 2014 primarily due to the steady decline in telephone receipts. Court fines and fees are \$286,481 less than last year. Combined, these two revenue sources account for \$431,879 or 97% of the total revenue amount less than the prior year. When the sewer lateral cross charge is adjusted out of year-to-date collections revenue is \$444,120 below 2014. Road and bridge tax continues a multi-year decline and is short of the prior year by \$23,640.

Total General Fund Revenue:

| Year | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|----------------|------------|------------|------------|------------|------------|------------|
| Actual | 11,720,516 | 13,058,019 | 11,979,819 | 11,946,860 | 11,917,971 | 11,901,634 |
| Budget | 11,366,460 | 12,411,078 | 11,737,458 | 11,587,864 | 11,613,500 | 11,934,350 |
| (+)/(-) Prior | 1,615,648 | 1,337,503 | -1,078,200 | -32,959 | -28,889 | -16,337 |
| (+)/(-) Budget | 354,056 | 646,941 | 242,361 | 358,996 | 304,471 | -32,716 |

GENERAL FUND EXPENDITURES

A review of the expenditure accounts reveals a small number that are in questionable condition and will require ongoing monitoring.

The Golf Course salaries account is slightly ahead of projections. With the bulk of the peak golf season still to come, combined with an increase in tournament bookings, it is quite probable that the golf salary account will need to be addressed. The Koch Park Aquatic Center utilities account will need to be addressed due to a multi-year catch-up billing from MSD of \$12,742 which was not anticipated. In addition, water leaks at the pool will contribute to increased water usage during the season. In December, the Police overtime account incurred costs of \$85,736 due directly to the response required to safeguard life and property when the grand jury ruling was announced by Bob McCulloch, the St. Louis County Prosecuting Attorney, in the Ferguson shooting. This one months overtime cost represents 30% of the Police overtime budget allocation for the year. While the Police salary account in general has been able to absorb some of this expense the overtime account will have to be addressed later in the year. The telephone audit, which is still in progress, has uncovered some billing items that will help decrease costs for future budgets. The cost for the audit, which is to be paid out of the current years budget, was not anticipated when the budget was drafted. The citywide telephone account in the Police department will need to be addressed depending on the final results of the audit.

CAPITAL IMPROVEMENT FUND

CAPITAL IMPROVEMENT SALES TAX represents revenue from the ½% capital improvement local option sales tax. The city is in a pool for the distribution of this sales tax which is based on the city’s population as a percent of the pool population.

The capital improvement sales tax is up \$87,201 or 5.4% over 2014. These results are very encouraging and continues a trend that started in 2013. Receipts are \$85,762 ahead of budget projections. Absent any significant set backs revenue could surpass the \$3,400,000 mark for the first time in the history of the capital improvement sales tax. Sales tax receipts typically reflect tremendous volatility so it is anything but certain that results will continue to be that positive.

½% Capital Improvement Sales Tax

| Year | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Actual | 1,491,935 | 1,560,015 | 1,542,282 | 1,584,951 | 1,608,561 | 1,695,762 |
| Budget | 1,515,000 | 1,465,000 | 1,460,000 | 1,510,000 | 1,510,000 | 1,610,000 |
| (+)/(-) Prior | -66,968 | 68,080 | -17,733 | 42,669 | 23,610 | 87,201 |
| (+)/(-) Budget | -23,065 | 95,015 | 82,282 | 74,951 | 98,561 | 85,762 |

PARK IMPROVEMENT FUND

PARK IMPROVEMENT SALES TAX represents revenue from the ½% park improvement local option sales tax. It is the only point-of-sale sales tax levied and received by the city. This means it is distributed back to the city based on sales occurring within the corporate limits of the city and is not shared with any other entity.

The park improvement sales tax is up \$67,044 or 4.4% over 2014. This marks the second straight year of strong returns. If the current pace holds revenue could exceed the \$3,200,000 mark for the first time. When compared to budget projections, receipts are \$65,864 ahead of projections.

½% Park Sales Tax

| Year | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Actual | 1,413,710 | 1,485,591 | 1,453,488 | 1,497,859 | 1,528,820 | 1,595,864 |
| Budget | 1,455,000 | 1,405,000 | 1,380,000 | 1,435,000 | 1,420,000 | 1,530,000 |
| (+)/(-) Prior | -96,331 | 71,881 | -32,103 | 44,371 | 30,961 | 67,044 |
| (+)/(-) Budget | -41,290 | 80,591 | 73,488 | 62,859 | 108,820 | 65,864 |

CONSUMMATUM EST

Information presented in this quarterly financial report is derived from the *Statement of Cash Receipts and Disbursements*, more commonly known as the monthly operating report, for the period ending May 31, 2015. Editorial comments, judgments and opinions expressed in this report are those of the Director of Finance and are intended solely to provide a financial update to the Mayor, City Council, residents of the City of Florissant, and any other interested parties. Any other use of this report or of any pictures, descriptions or accounts of this report, without prior written consent, is prohibited.

Questions concerning any of the information contained in this quarterly financial report or in the monthly operating reports should be addressed to the Director of Finance, 955 rue St. Francois, Florissant, Missouri 63031. Copies of the *Statement of Cash Receipts and Disbursements* may be found on the city's web site at www.florissantmo.com.

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