



Quarterly Financial Report

City of Florissant, Missouri

Fourth Quarter Ended November 30, 2017

December 18, 2017

Overview

General fund revenue for fiscal year 2017 was down \$250,444 or 1.1% when compared to fiscal year 2016. When compared to fiscal year 2015 receipts general fund revenues are down \$617,476 or 2.7%. This decline is due to significant drops in several revenue sources which will be touched upon later in this report. When compared to the budget, general fund revenue was \$61,752 under budget. Sales tax, utility tax, municipal court revenue, and cable TV revenue were all down significantly and account for the bulk of this decline, combining to account for a drop of \$750,083. The telephone utility tax decreased by \$195,887 which more than offset increases in electric, gas and telephone of \$124,669 combined. Sales tax revenue was down \$413,941 or 5.1%. Municipal court receipts were down \$187,634 and continue to reflect the aftermath of the civil unrest in the City of Ferguson and elsewhere and the ongoing impact that has had on law enforcement and court systems in general.

General fund sales tax decreased by \$413,941, breaking a streak of four consecutive years that sales tax revenue had increased. Business licenses increased \$322,987 due to the increase in the Rental Real Estate license fee to \$50 per property and the vacant property registration fee. The golf course had a significant increase of \$93,904. Cable TV decreased by \$77,290 as AT&T begins to move away from the market resulting in a drop in revenue.

The capital improvement sales tax was down \$132,918 or 3.8% which marks the second year in a row of declining revenue. The park improvement sales tax was down \$157,548 or 4.5% from 2016. The street sales tax collected \$1,490,692 in sales taxes. This marked the first full year of collections so there is nothing to compare it to.

General Fund

Gasoline tax includes the motor vehicle fuel tax and the motor vehicle fee increases. Gasoline tax revenue is distributed based on the city's population as compared to the total population of all cities statewide. Gasoline tax receipts finished at \$1,640,818 which was \$26,667 more than last year and \$15,818 over the budget of \$1,625,000.

<u>Gasoline Tax:</u>						
Year	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actual	1,562,130	1,533,340	1,566,458	1,617,398	1,614,151	1,640,818
Budget	1,625,000	1,550,000	1,525,000	1,550,000	1,550,000	1,625,000
(+)/(-) Prior	-167,393	-28,790	33,118	50,940	-3,247	26,667
(+)/(-) Budget	-62,870	-16,660	41,458	67,398	64,151	15,818

Utility license tax revenue finished at \$5,701,779 which was down \$71,218 from last year and \$98,221 under the budget of \$5,800,000. Three of the four underlying components of the utility license tax were up when compared to 2016 but the one that was down more than compensated for the ones that increased. Electric as up \$1,990, gas (heat) was up \$81,270 and water was up \$41,409 for a combined total of \$124,669.

Telephone utility tax revenue was down \$195,887 from 2016. Telephone utility license tax receipts continue to be of tremendous concern and an area where changes in technology have created a downward spiral in revenue with no discernable end in sight. Between 2012 and 2017 telephone tax receipts decreased \$80,850, \$134,823, \$132,184, \$210,133, \$104,438, and \$195,887 respectively for a total decline of \$858,315 or 49.0% during this six year period. The fact that cell phone service is not tied to a physical address, the fierce competition in the cell phone market, the difficulty in getting cell phone companies to comply with utility license tax regulations, and ongoing declines in landline service have all combined to produce a significant and relentless drop in revenue.

<u>Utility License Tax:</u>						
Year	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actual	6,291,224	6,313,703	6,348,324	6,202,723	5,772,997	5,701,779
Budget	6,000,000	6,100,000	6,200,000	6,400,000	6,000,000	5,800,000
(+)/(-) Prior	-175,998	22,479	34,621	-145,601	-429,726	-71,218
(+)/(-) Budget	291,224	213,703	148,324	-197,277	-227,003	-98,221

Road and bridge tax represents a portion of the countywide 10.5 cent property tax received by the city. The city's total assessed value went from \$536,233,848 in 2016 to \$575,288,145 in 2017, an increase of \$39,054,297 or 7.3%. Revenue for 2017 finished \$1,854 or 0.4% more than 2016 and \$11,679 under the budget of \$550,000. Road and bridge tax receipts peaked in 2008 at \$700,642.

<u>Road and Bridge Tax:</u>						
Year	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actual	579,749	586,887	551,289	553,983	536,467	538,321
Budget	600,000	575,000	575,000	550,000	550,000	550,000
(+)/(-) Prior	-58,156	7,138	-35,598	2,694	-17,516	1,854
(+)/(-) Budget	-20,251	11,887	-23,711	3,983	-13,533	-11,679

Sales tax is received from two sources, the countywide 1% sales tax and the statewide motor vehicle sales tax. The countywide 1% sales tax is distributed based on a formula which reflects the city's population as part of a pooled population of other cities and St. Louis County. Revenue of \$7,681,559 was \$418,441 under the budget of \$8,100,000 and down \$413,941 or 5.1% when compared to 2016. The 1% countywide sales tax was down \$433,288 or 5.7% while the motor vehicle sales tax was up \$19,347 or 4.4%. This breaks a streak of four consecutive years of increasing sales tax receipts.

Sales tax revenue has been very cyclical over time, driven primarily by decennial changes to both the city's and the underlying pool populations as well as the ebbs and flows in the economy. Changes in consumer spending patterns are also proving impactful to sales tax receipts as consumers are moving in increasing numbers to complete purchases utilizing internet sources where many purchases are not subject to sales tax and away from local retailers who must collect and remit sales tax.

<u>Sales Tax:</u>						
Year	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actual	7,031,418	7,186,217	7,824,297	8,025,641	8,095,500	7,681,559
Budget	6,600,000	7,000,000	7,100,000	7,500,000	7,800,000	8,100,000
(+)/(-) Prior	-52,816	154,799	638,080	201,344	69,859	-413,941
(+)/(-) Budget	431,418	186,217	724,297	525,641	295,500	-418,441

Municipal Court revenue is not normally discussed in the quarterly financial report. However, as this is a forum for discussion of those specific revenue sources which had a significant impact on general fund revenues during the course of the year, it must be included in the discussion. This revenue review is not intended to be a judgement on the merits of court fines and fees but simply an effort to note the relationship that this revenue source had on overall budget performance.

Court revenue of \$1,133,756 dropped \$187,634 or 14.2% from 2016 and was \$266,244 under the budget allocation. Compared to 2015, court revenue declined \$822,441 or 42.0%. These numbers are indicative of what is occurring in municipal courts all across the St. Louis metropolitan area due in part to the aftermath of the civil unrest in the City of Ferguson and elsewhere.

<u>Municipal Court:</u>						
Year	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actual	3,086,843	2,989,294	2,589,988	1,956,197	1,321,390	1,133,756
Budget	3,100,000	3,000,000	2,800,000	2,550,000	2,250,000	1,400,000
(+)/(-) Prior	-212,003	-97,549	-399,306	-633,791	-634,807	-187,634
(+)/(-) Budget	-13,157	-10,706	-210,012	-593,803	-928,610	-266,244

Total general fund revenue of \$22,671,548 was short of the budget by \$61,752 and down \$250,444 or 1.1% from 2016. Five sources combined to increase by \$545,863. These include the golf course up \$93,904, gasoline tax up \$26,667, business licenses up \$322,987 due to the increase in the underlying fee for real estate rental licenses, building permits up \$49,714, and other revenue which was up \$52,591. Five sources combined to decrease by \$793,939. These include the sales tax which is down \$413,941, the utility tax is down \$71,218, court revenue is down \$187,634, cable TV is down \$77,290, and grant revenue is down \$43,956.

When compared to budgeted revenue, sales tax revenue was under budget by \$418,441, utility tax revenue was under budget by \$98,221, business license revenue was over budget by

\$48,152 due to the strength of the new rental real estate business license, building permits were over budget by \$98,324, court revenue was under budget by \$266,244, other revenue was over budget by \$621,133 primarily due to a Reliance Insurance settlement payment of \$132,916 and a Tracfone settlement payment of \$89,521, and cable TV was under budget by \$79,269.

<u>Total General Fund Revenue:</u>						
Year	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actual	23,925,553	23,766,578	23,979,745	23,289,024	22,921,992	22,671,548
Budget	23,104,751	22,858,208	22,974,000	23,312,000	22,982,300	22,733,300
(+)/(-) Prior	-1,049,298	-158,975	213,167	-690,721	-367,032	-250,444
(+)/(-) Budget	820,802	908,370	1,005,745	-22,976	-60,308	-61,752

Capital Improvement Fund

Capital improvement sales tax is distributed based on a formula that reflects the city's population as compared to a pooled population comprised of other cities in St. Louis County. The capital improvement sales tax finished at \$3,395,045 which is \$54,955 under the budget of \$3,450,000 and \$132,918 or 3.8% less than last year. This makes two years in a row that capital improvement sales tax receipts have declined. However, receipts are still above the amount received in 2014.

<u>Capital Improvement Sales Tax:</u>						
Year	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actual	3,168,808	3,228,540	3,356,500	3,529,090	3,527,963	3,395,045
Budget	2,950,000	3,100,000	3,100,000	3,200,000	3,300,000	3,450,000
(+)/(-) Prior	5,720	59,732	127,960	172,590	-1,127	-132,918
(+)/(-) Budget	218,808	128,540	256,500	329,090	227,963	-54,955

Park Improvement Fund

Park improvement sales tax is a point-of-sale sales tax which 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. Park sales tax totaled \$3,360,485 which is \$139,515 under the budget of \$3,500,000 and \$157,547 or 4.5% less than last year. This marks the end of a six year run of positive growth in the park improvement sales tax.

<u>Park Sales Tax:</u>						
Year	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actual	3,002,073	3,038,832	3,141,740	3,278,362	3,518,032	3,360,485
Budget	2,850,000	2,900,000	2,950,000	3,125,000	3,400,000	3,500,000
(+)/(-) Prior	36,499	36,759	102,908	136,622	239,670	-157,547
(+)/(-) Budget	152,073	138,832	191,740	153,362	118,032	-139,515

Street Fund

Street sales tax is a hybrid point-of-sale sales tax. The City retains the first 85% of the quarter-cent sales tax generated within the corporate boundaries of the City each month with the remaining 15% going into the countywide sales tax pool to be distributed to the participants in the pool. As a pool city, the City will get a portion of the 15% back based on our population in the pool. This general purpose sales tax was approved by the voters in November, 2015. The first full year of distributions from this sales tax resulted in receipts of \$1,490,692 which was \$9,308 under the budget of \$1,500,000.

<u>Street Sales Tax:</u>						
<u>Year</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actual	0	0	0	0	746,927	1,490,692
Budget	0	0	0	0	0	1,500,000
(+)/(-) Prior	0	0	0	0	746,927	743,765
(+)/(-) Budget	0	0	0	0	746,927	-9,308

Source Material

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 November 30, 2017. Copies of the monthly operating report may be found on the city's web site at www.florissantmo.com.

R. J. McDaniel

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