



Quarterly Financial Report

City of Florissant, Missouri

Second Quarter Ended May 31, 2012

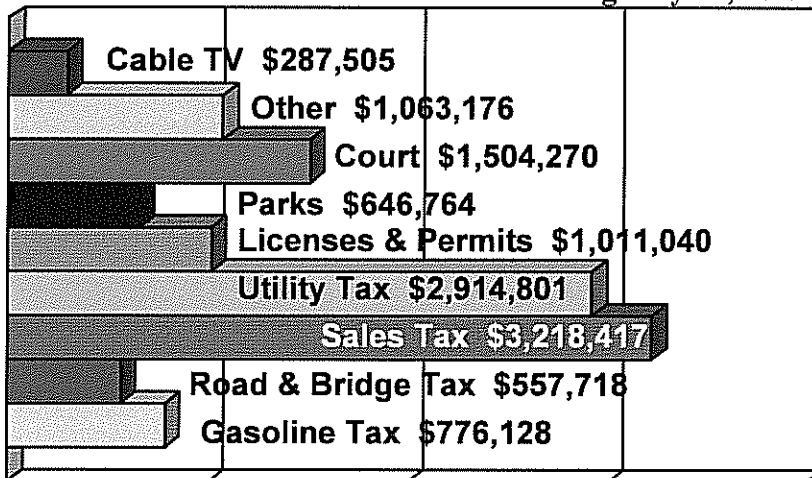
June 8, 2012

OVERVIEW

2012 is a transitional year. The formulas used to calculate six important revenue sources, the cigarette tax, motor fuel tax, motor vehicle fee increases, countywide sales tax, motor vehicle sales tax, and the capital improvement sales tax were adjusted beginning in January to reflect decreased population resulting from the 2010 census. These numbers will be in place for the next ten years.

At the mid-point in the fiscal year the revenue numbers are playing out much as expected. When general fund revenue for the first six months is compared to revenue for the first six months last year it looks bad. Revenue is down 8.3% or \$1,078,200. All the major revenue sources, including gasoline tax, road and bridge tax, sales tax, utility tax, and municipal court are down. A few minor revenue sources have shown improvement over last year, including business licenses, parks, building permits, and cable TV.

General Fund Revenue: Six Months Ending May 31, 2012



The next two major funds, the capital improvement fund and the park improvement fund, both exhibit similar results. Sales tax in the capital improvement fund is down 1.1% or \$17,733 while the park improvement sales tax is down 2.2% or \$32,103.

The 2012 budget anticipated the changes resulting from the 2010 census and the deleterious effect that change would have on revenue. As such, the revenue picture improves in comparison to the budget. Total general fund revenue exceeds the projected budget by 2.1% or \$242,361. Sales tax is 4.0% or \$123,417 ahead of the projected budget. The gasoline tax, road and bridge tax, utility tax, and municipal court all lag just slightly behind the projected budget.

The state of the economy continues to be poor. Unemployment numbers have gotten worse, if that was possible. The housing market continues to flounder. The stock market rebounded for a time but tremendous volatility remains due to significant concerns with the European economies.

The local economy is showing signs of improvement. Ground has been broken on a \$9.5 million project to add new stores to the Value City property on N. Hwy 67. The Wal-Mart proposal for the corner of N. Hwy 67 and New Halls Ferry has been approved. The Plaza Madrid redevelopment project seems to have finally found a developer.

GENERAL FUND

GASOLINE TAX:

Year	2007	2008	2009	2010	2011	2012
Actual	868,775	822,982	789,604	850,468	852,428	776,128
Budget	847,000	860,000	847,000	774,000	845,000	812,000
(+)/(-) Prior	-934	-45,793	-33,378	60,864	1,960	-76,300
(+)/(-) Budget	21,775	-37,018	-57,396	76,468	7,428	-35,872

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. As expected, with the city population declining and the state population increasing, gas tax has declined. Compared to 2012, revenue is down \$76,300 or 9.0%. In anticipation of decreasing revenue the budget was reduced by \$125,000 from 2011. The prorated budget for the gasoline tax at mid-year is \$812,000. Revenue is short of this goal by \$35,872.

Historically about 51% of gasoline tax revenue is received in the final six months of the fiscal year. If this pattern holds, revenue projected for the final six months will be \$807,800. Total estimated revenue is \$1,584,000 which will be \$41,000 short of the budget of \$1,625,000.

UTILITY TAX:

Year	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actual	1,799,712	1,904,091	2,156,567	2,687,640	3,222,221	2,914,801
Budget	1,675,000	1,958,000	2,267,000	3,066,000	2,970,000	2,955,000
(+)/(-) Prior	-19,278	104,379	252,476	531,073	534,581	-307,420
(+)/(-) Budget	124,712	-53,909	-110,433	-378,360	252,221	-40,199

Utility tax represents the license tax on electric, gas (heating), telephone (landline and cell), and water utilities. The current rate assessed on utilities is 7%.

Utility tax receipts are down 9.5% or \$307,420. 2011 was one of those rare years when a cold winter combined with a hot, dry summer combined to generate high heating and cooling usage. Total revenue went from \$5,729,070 in 2010 to \$6,467,222 in 2011.

For the year electric is up 1.5% or \$14,431. Gas has taken a big hit with revenue down 18.7% or \$215,791 due to the unusually warm winter and an early, warm spring. The bulk of the gas tax revenue comes in during the winter months so it is not possible to make this up. Telephone is down 11.2% or \$105,965. The city receives utility tax from over 40 telephone companies. Water is nearly identical to last year, down \$95.

The 2012 budget anticipated that the weather would not continue to be so accommodating. The budget of \$6,000,000 is \$467,222 less than actual receipts in 2011. Electric will drive the bus for the balance of the year as nearly two-thirds of electric revenue is received in the second half of the year. If the summer continues to be very hot and dry then utility license receipts should not get appreciably worse and should finish very close to the budget.

ROAD AND BRIDGE TAX:

Year	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actual	526,003	638,678	638,412	610,408	611,622	557,718
Budget	465,000	534,000	641,000	604,000	599,000	580,500
(+)/(-) Prior	-2,550	112,675	-266	-28,004	1,214	-53,904
(+)/(-) Budget	61,003	104,678	-2,588	6,408	12,622	-22,782

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 which has been in decline since 2008 due to the dramatic drop in home values. In 2009, revenue dropped \$28,661. In 2010 revenue experienced another decrease of \$36,926. 2011 was relatively flat as revenue increased \$2,850. The 2012 budget projected revenue to drop \$37,905.

So far, 2012 is performing worse than expected with revenue down \$53,905 compared to last year and \$22,782 under the expected budget. The bulk of distributions are in so, barring any unforeseen distributions, revenue is expected to finish \$20,000 to \$25,000 under the budget.

SALES TAX:

Year	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actual	3,375,199	3,477,586	3,212,286	3,114,787	3,238,164	3,218,417
Budget	3,772,000	3,797,000	3,797,000	3,220,000	3,020,000	3,095,000
(+)/(-) Prior	122,083	102,387	-265,300	-97,499	123,377	-19,747
(+)/(-) Budget	-396,801	-319,414	-584,714	-105,213	218,164	123,417

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

Sales tax receipts have been very volatile over the past few years with extreme swings in monthly distributions. This is a manifestation of the difficult economic times as more businesses seek to hold on to cash as long as possible and delay sales tax payments as long as possible. When tax payments get to the Missouri Department of Revenue late they are pushed into the next months processing which means the city gets its distribution later.

The year started with two strong months. Revenue was up 18.5% in December and 8.7% in January. February showed the volatility when revenue went down 32.6%, wiping out the gains from the first two months. March went to the opposite extreme as revenue was up 58.6%. April and May were down 6.4% and 34.0% respectively.

At the mid-point, revenue is nearly the same as last year, down \$19,748 or 0.6%. These results are encouraging knowing that the city's population in the distribution formulas has decreased and the economy as a whole continues to struggle.

The 2012 budget was crafted with due consideration given to the effect of the census on revenue. Sales tax revenue for 2011 was \$7,084,234. The budget for 2012 is \$6,600,000 which is \$484,234 less than 2011 actual revenue. Revenue is \$123,417 ahead of the prorated budget of

\$3,095,000. Despite the volatility of sales tax receipts over the last few years it is a realistic possibility to meet or exceed the budget goal.

A caveat to this analysis is that earlier this year the Missouri Supreme Court issued a ruling, *Street vs. Department of Revenue*, that precluded the Department of Revenue from collecting the local option sales tax on out-of-state motor vehicle sales. The ruling did allow for the collection of the local option use tax on out-of-state vehicle sales but very few cities in Missouri have a local option use tax. The City of Florissant does not have a use tax. The Department of Revenue has provided information showing that the City of Florissant would lose about \$110,000 annually from the change in the application of the motor vehicle sales tax. Based on the timing of this ruling it appears the city will lose about \$55,000 in motor vehicle sales tax revenue for the balance of the fiscal year.

The Missouri Legislature did pass HB 1329 which restored the local option sales tax on out-of-state purchases of cars, boats, motors, etc. Unfortunately, Governor Nixon has indicated he plans to veto this bill under the premise that it is a new tax and he is opposed to any new tax. Total general fund revenue is well off the pace from last year. Total revenue is down 8.3% or

TOTAL GENERAL FUND REVENUE:

Year	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actual	10,511,928	10,717,369	10,104,868	11,720,516	13,058,019	11,979,819
Budget	10,307,000	10,987,000	11,434,000	11,366,460	12,411,078	11,737,458
(+)/(-) Prior	690,508	205,441	-612,501	1,615,648	1,337,503	-1,078,200
(+)/(-) Budget	204,928	-269,631	-1,329,132	354,056	646,941	242,361

\$1,078,200. However, last years revenue included \$601,485 in one time revenue from the T-Mobile settlement. When this settlement is adjusted out total revenue is down 3.8% or \$476,715. These results were not unexpected as the city was well aware of the one-time T-Mobile settlement and the potential effect the implementation of the 2010 census numbers would have on 2012 revenue. The budget was developed in anticipation of the effect of these changes.

On a budget basis the picture brightens considerably. General fund revenue is \$242,361 over the projected budget. While there is no certainty to any forecast, it appears that the city is in position to meet or exceed the 2012 general fund revenue budget.

CAPITAL IMPROVEMENT FUND

½% CAPITAL IMPROVEMENT SALES TAX

Year	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actual	1,560,042	1,598,277	1,558,903	1,491,935	1,560,015	1,542,282
Budget	1,503,000	1,739,000	1,614,000	1,515,000	1,465,000	1,460,000
(+)/(-) Prior	76,418	38,235	-39,374	-66,968	68,080	-17,733
(+)/(-) Budget	57,042	-140,723	-55,097	-23,065	95,015	82,282

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 showed similar volatility to that of the general sales tax. Actual revenue for the six months is down 1.1% or \$17,733. The good news is that revenue is \$82,282 above the prorated budget. However, given the volatility of sales tax receipts, this situation could change very rapidly.

PARK IMPROVEMENT FUND

½% PARK SALES TAX

Year	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Actual	797,731	1,525,460	1,510,041	1,413,710	1,485,591	1,453,488
Budget	789,000	1,529,000	1,529,000	1,455,000	1,405,000	1,380,000
(+)/(-) Prior	15,912	727,729	-15,419	-96,331	71,881	-32,103
(+)/(-) Budget	8,731	-3,540	-18,959	-41,290	80,591	73,488

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 showed similar volatility to that of the general and capital improvement sales taxes. Actual revenue for the six months is down 2.2% or \$32,103. Revenue is \$73,488 above the prorated budget which is excellent.

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, 2012. 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.

R. J. McDaniel

Randal J. McDaniel
Director of Finance