



Quarterly Financial Report

City of Florissant, Missouri

Fourth Quarter Ended November 30, 2016

December 7, 2016

Overview

General fund revenue for fiscal year 2016 was down \$367,032 or 1.6% when compared to fiscal year 2015. When compared to fiscal year 2014 receipts, general fund revenue was down \$1,057,753 or 4.4%. This decline is due to significant drops in several revenue sources. Fortunately, when compared to the budget, general fund revenue was only \$60,308 under budget. Utility tax and municipal court revenue were down significantly and account for the bulk of this decline, combining to fall \$1,064,532. The utility tax experienced decreases in all four underlying sources with gas down \$268,118 followed by telephone, electric and water which were down \$104,438, \$43,961 and \$13,209 respectively for a total drop of \$429,726. Municipal court receipts were down \$634,807 which reflects the aftermath of the civil unrest in the City of Ferguson and elsewhere and the impact that has had on law enforcement and court systems.

General fund sales tax increased by \$69,859, marking the fourth consecutive year that sales tax revenues have increased. The golf course reflected a significant increase of \$89,049 followed by business licenses at \$74,842, interest at \$68,557, grants at \$66,377, and building permits at \$43,306. Other miscellaneous revenue increased \$333,778 on the strength of a settlement payment of \$221,527 from the Reliance Insurance bankruptcy and an increase in property maintenance fees collected of \$81,797.

The capital improvement sales tax was nearly identical to 2015, down \$1,127. Through the end of September, capital improvement sales tax receipts were up 6.9% over 2015 but receipts in October and November were down 39.4% and 3.1% respectively, erasing the gains of the previous ten months.

The park improvement sales tax preformed very well, up \$239,670 or 7.3% over 2015. Through the end of September the park improvement sales tax was up 8.2% over 2015. Receipts in October and November were much better than the capital improvement sales tax, up 6.6% in October while down 3.8% in November. These results reflect directly on the strength of the local economy.

The first distribution from the 1/4% general purpose sales tax, which has been dedicated to streets and is know as the street sales tax, was received in May. Receipts for the seven months May through November totaled \$746,927.

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 \$1,614,151 which was \$64,151 over the budget of \$1,550,000 but \$3,247 less than last year. 2011, 2012 and 2013 all reflect a drop in revenue while 2014 and 2015 show fairly significant increases in revenue. 2014 revenues increased \$33,118 and 2015 revenue increased \$50,940.

Gasoline Tax:

Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actual	1,729,523	1,562,130	1,533,340	1,566,458	1,617,398	1,614,151
Budget	1,750,000	1,625,000	1,550,000	1,525,000	1,550,000	1,550,000
(+)/(-) Prior	-28,363	-167,393	-28,790	33,118	50,940	-3,247
(+)/(-) Budget	-20,477	-62,870	-16,660	41,458	67,398	64,151

Utility license tax revenue finished at \$5,772,997 which was down \$429,726 from last year and \$227,003 under the budget of \$6,000,000. All of the underlying components of the utility license tax were down compared to 2015 as indicated in the overview on page 1. Gas (heat) utility license tax receipts were the single most underperforming source. The 2016 fiscal year experienced a warmer than usual fall, winter and spring which resulted in percentage monthly declines for the first six month of the fiscal year of 16.2%, 28.7%, 27.5%, 18.0%, 29.3%, and 15.4% for an average monthly decline of 22.5% during this six month period.

Telephone utility tax revenue was down \$104,438 from 2015. Telephone utility license tax receipts are 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 2016 telephone tax receipts decreased \$80,850, \$134,823, \$132,184, \$210,133, and \$104,438 for a total decline of \$662,428 or 36.0% during this five year period. The ascension of cell phone service, the fierce competition in the cell phone market, the difficulty in getting cell phone companies to comply with utility license tax regulations, and marked declines in landline service have all combined to produce a significant and relentless drop in revenue.

Electric utility tax revenue reflected declines in eight of the twelve months. April reflected a decline of 12.9% and followed by November at 7.2%. August was the best month for gains with an increase of 5.5% followed by October at 4.5%.

Utility License Tax:

Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actual	6,467,222	6,291,224	6,313,703	6,348,324	6,202,723	5,772,997
Budget	5,700,000	6,000,000	6,100,000	6,200,000	6,400,000	6,000,000
(+)/(-) Prior	738,152	-175,998	22,479	34,621	-145,601	-429,726
(+)/(-) Budget	767,222	291,224	213,703	148,324	-197,277	-227,003

Road and bridge tax represents a portion of the countywide 10.5 cent property tax received by the city. The city's assessed value for real estate went from \$448,783,570 in 2014 to \$438,085,400 in 2015, a decline of \$10,698,170 or 2.4%. Revenue for 2016 finished \$17,516 or 3.2% below 2015 and \$13,533 under the budget of \$550,000. Road and bridge tax receipts peaked in 2008 at \$700,642.

Road and Bridge Tax:

Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actual	637,905	579,749	586,887	551,289	553,983	536,467
Budget	625,000	600,000	575,000	575,000	550,000	550,000
(+)/(-) Prior	2,850	-58,156	7,138	-35,598	2,694	-17,516
(+)/(-) Budget	12,905	-20,251	11,887	-23,711	3,983	-13,533

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 \$8,095,500 was \$295,500 over the budget of \$7,800,000 and up \$69,859 or 0.9% when compared to 2015. The 1% countywide sales tax was up \$52,837 or 0.7% while the motor vehicle sales tax was up \$17,022 or 4.0%. This marks the fourth consecutive year that sales tax receipts increased, going from \$7,031,418 in 2012 to \$8,095,500 in 2016, an increase of \$1,064,082 or 15.1% over that time period.

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 deleterious 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.

Sales Tax:

Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actual	7,084,234	7,031,418	7,186,217	7,824,297	8,025,641	8,095,500
Budget	6,600,000	6,600,000	7,000,000	7,100,000	7,500,000	7,800,000
(+)/(-) Prior	378,491	-52,816	154,799	638,080	201,344	69,859
(+)/(-) Budget	484,234	431,418	186,217	724,297	525,641	295,500

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 \$1,321,390 dropped \$634,807 or 32.5% from 2015 and was \$928,610 under the budget allocation. Compared to 2014, court revenue declined \$1,268,598 or 49.0%. These numbers are indicative of what is occurring in municipal policing and 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.

Municipal Court:

Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actual	3,298,846	3,086,843	2,989,294	2,589,988	1,956,197	1,321,390
Budget	3,050,000	3,100,000	3,000,000	2,800,000	2,550,000	2,250,000
(+)/(-) Prior	108,366	-212,003	-97,549	-399,306	-633,791	-634,807
(+)/(-) Budget	248,846	-13,157	-10,706	-210,012	-593,803	-928,610

Total general fund revenue of \$22,921,992 was short of the budget by \$60,308 and down \$367,032 or 1.6% from 2015. Primary contributors to the overall revenue picture have already been discussed. Secondary contributors of a positive nature include business license revenue which was up \$74,842. The opening of Wal-Mart was a major contributor to the increase in business license fee collections. Golf course revenue was up \$89,049, an increase of 18.6%. While golf course revenue can be heavily impacted by vagaries in the weather, a concerted effort was made to address and improve the revenue stream and overall operations of the golf course. Interest earnings were up \$68,557 primarily as a result of interest paid on the advance from the general fund to the court building fund to provide the funding to purchase the municipal court building. Other miscellaneous revenue was up \$333,778 which reflects the receipt of a settlement check in the Reliance Insurance bankruptcy case. In addition, property maintenance fee collections totaled \$296,968, an increase of \$81,797 or 38.0%. This reflects the increasing burden incurred by the City to address issues such as grass cutting, board up and maintenance on problem residential properties throughout the city. Secondary contributors of a negative nature include Cable TV which was down \$34,541 and marked the first time since 2008 that Cable TV revenue declined.

When compared to budgeted revenue, business license revenue was over the \$800,000 budget by \$25,165, the golf course was over the \$550,000 budget by \$19,149, interest was over the \$10,000 budget by \$68,489, other revenue exceeded the \$750,000 budget by \$542,541, and Cable TV was under the \$750,000 budget by \$26,980.

Total General Fund Revenue:

Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actual	24,974,851	23,925,553	23,766,578	23,979,745	23,289,024	22,921,992
Budget	23,654,328	23,104,751	22,858,208	22,974,000	23,312,000	22,982,300
(+)/(-) Prior	1,614,053	-1,049,298	-158,975	213,167	-690,721	-367,032
(+)/(-) Budget	1,320,523	820,802	908,370	1,005,745	-22,976	-60,308

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 \$3,527,963 which is \$227,963 over the budget of \$3,300,000 and \$1,127 or 0.03% less than last year. Through the ten months ended September, receipts were \$193,742 or 6.9% ahead of 2015. October took a huge bite out of this with receipts coming in 39.4% or \$187,977 less than the prior year. November completed the rout when revenue came in 3.1% or \$6,892 less than the prior year. This ends a streak of five consecutive years of increasing capital improvement sales tax receipts. Despite this, 2015 and 2016 are the two best years for Capital Improvement Sales Tax receipts to date.

Capital Improvement Sales Tax:

Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actual	3,163,088	3,168,808	3,228,540	3,356,500	3,529,090	3,527,963
Budget	3,000,000	2,950,000	3,100,000	3,100,000	3,200,000	3,300,000
(+)/(-) Prior	128,912	5,720	59,732	127,960	172,590	-1,127
(+)/(-) Budget	163,088	218,808	128,540	256,500	329,090	227,963

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 \$3,518,032 which is \$118,032 over the budget of \$3,400,000 and \$239,670 or 7.3% more than last year. This marks the sixth year in a row of positive growth in the park improvement sales tax and is the most ever received in any one year. This performance is reflective of the positive effect of the opening of Walmart on the local economy.

Park Sales Tax:

Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actual	2,965,574	3,002,073	3,038,832	3,141,740	3,278,362	3,518,032
Budget	2,850,000	2,850,000	2,900,000	2,950,000	3,125,000	3,400,000
(+)/(-) Prior	110,966	36,499	36,759	102,908	136,622	239,670
(+)/(-) Budget	115,574	152,073	138,832	191,740	153,362	118,032

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 distribution was received from the Missouri Department of Revenue in May, 2016. A total of \$746,927 was received for seven months, May through November, of fiscal year 2016.

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 November 30, 2016. 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
City of Florissant, Missouri