



Quarterly Financial Report

City of Florissant, Missouri

Second Quarter Ended May 31, 2016

June 13, 2016

OVERVIEW

At the mid-point of the 2016 fiscal year revenue results in the three major funds, general, capital improvement and park improvement, are mixed. General fund revenue is underperforming, down \$51,474 or 0.4% from the mid-point of 2015. General fund revenue of \$11,850,160 includes \$221,527 from the second distribution of the Reliance Insurance settlement. Without this distribution general fund revenue would be down \$273,001 or 2.3% from last year. Both the capital improvement and park improvement sales tax funds are comfortably ahead of this same point in 2015, up \$51,714 or 3.1% and \$169,026 or 10.6% respectively.

When comparing year-to-date revenue to the mid-year budget forecast, general fund revenue exceeds the projection by \$153,960. When the Reliance Insurance settlement is subtracted general fund revenue would be short of the forecasted budget by \$67,567. Both the capital improvement fund and the park improvement fund are comfortably ahead of budget forecasts, exceeding projections by \$147,476 and \$89,890 respectively.

A review of the expenditure accounts reveals very few significant issues that have not already been addressed. The gasoline and utility accounts appear to be in good shape across-the-board. The golf course salary account is the only salary account over forecast and will need to be monitored closely as we progress through the golf season.

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 down \$13,901 or 1.7%. This halts a pattern of two years in a row of increasing revenue. While a drop of \$13,901 for one year is not particularly significant the gasoline tax has not exhibited any significant growth since falling back from peaks of \$869,709 and \$868,775 in the years 2006 and 2007 respectively. The 2016 mid-year budget forecast is \$765,000 and receipts exceed this target by \$21,404.

Historically, about 51% of gasoline tax revenue is received in the final six months of the fiscal year. If this pattern holds, total revenue is projected to be \$1,605,000 which would be \$55,000 ahead of the budget of \$1,550,000 and \$12,000 less than last year.

Gasoline Tax:

Year	2011	2012	2013	2014	2015	2016
Actual	852,428	776,128	750,920	763,132	800,305	786,404
Budget	845,000	812,000	760,000	745,000	755,000	765,000
(+)/(-) Prior	1,960	-76,300	-25,208	12,212	37,173	-13,901
(+)/(-) Budget	7,428	-35,872	-9,080	18,132	45,305	21,404

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 10.9% or \$332,654. When compared to 2014 and 2013, revenue is down \$478,052 or 14.9% and down \$353,402 or 11.5% respectively. This is an indication of how the variability of weather can play a major role in the fluctuation of 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 3.3% or \$36,690, gas is down 23.6% or \$260,569, telephone is down 7.8% or \$52,122, and water is up 8.7% or \$16,727 when compared to the prior fiscal year. Electric still has the potential to make up this difference depending on the weather patterns over the summer months. Gas, on the other hand, has passed the high season and will not make up this difference. Water, while it is up at this point, can also go either way depending on the summer weather patterns.

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 phone providers has created a systemic issue impacting the ability to assess and collect 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. Since peaking in 2009 at \$950,555 for the first six months of the fiscal year, telephone gross receipts have dropped \$337,283 or 35.5% over that time period. There is no indication that this pattern will slow down any time soon.

The mid-year budget was forecasted at \$2,910,000 and actual receipts are \$177,429 under this projection. A hot and dry summer could help to narrow the gap between actual receipts and the budget projection but it's highly unlikely that it will be enough to overcome the significant shortfall in gas tax receipts as well as the continuing decline in telephone receipts.

Utility Tax:

Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actual	3,222,221	2,914,801	3,085,973	3,210,623	3,065,225	2,732,571
Budget	2,970,000	2,955,000	2,910,000	3,060,000	3,230,000	2,910,000
(+)/(-) Prior	534,581	-307,420	171,172	124,650	-145,398	-332,654
(+)/(-) Budget	252,221	-40,199	175,973	150,623	-164,775	-177,429

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 \$531.1 million with the 2015 valuation, a drop of 22.4%. Real estate assessed valuation accounts for about 82.5% of total assessed value and has dropped from \$579.9 million in 2007 to \$438.1 million in 2015, a drop of \$141.8 million or 24.5% since 2007.

At the mid-point of the 2008 fiscal year the city received \$638,678 from the road and bridge tax. In fiscal year 2016 the city received \$515,553 in revenue, a difference of \$123,125 or

19.3% over that time period. Receipts of \$515,553 exceed the forecasted mid-year budget of \$506,300 by \$9,253. Mid-year revenue is up \$8,762 from last year but still significantly below previous years. There should be no problem meeting and exceeding the budget of \$550,000.

Road and Bridge Tax:

Year	2011	2012	2013	2014	2015	2016
Actual	611,622	557,718	564,717	530,431	506,791	515,553
Budget	599,000	580,500	552,500	553,000	529,000	506,300
(+)/(-) Prior	1,214	-53,904	6,999	-34,286	-23,640	8,762
(+)/(-) Budget	12,622	-22,782	12,217	-22,569	-22,209	9,253

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 \$7.8 million, sales tax is the single largest revenue source in the general fund. When compared to the prior fiscal year revenue is up 3.0% or \$107,920. This is very encouraging and marks the fourth year in a row that sales tax receipts through the end of May have increased over the prior year period. The 1% countywide sales tax is up \$92,280 or 2.7% while the motor vehicle sales tax is up \$15,640 or 8.1%.

The six month budget forecast is \$3,560,000 and receipts have exceeded this projection by \$185,409. Receipts are on track to exceed the budget. However, the cities of Ferguson, with a population of 21,203, and St. Ann, with a population of 13,020, have elected to terminate their status as point-of-sale cities and enter the sales tax pool. This will increase the pool population by 34,223 and dampen distributions over the balance of the fiscal year. However, I would still expect sales tax to meet or exceed the budget of \$7,800,000.

Sales Tax:

Year	2011	2012	2013	2014	2015	2016
Actual	3,238,164	3,218,417	3,295,648	3,551,401	3,637,489	3,745,409
Budget	3,020,000	3,095,000	3,240,000	3,245,000	3,390,000	3,560,000
(+)/(-) Prior	123,377	-19,747	77,231	255,753	86,088	107,920
(+)/(-) Budget	218,164	123,417	55,648	306,401	247,489	185,409

TOTAL GENERAL FUND REVENUE is down \$51,474 or 0.4% from last year. As discussed in the overview on page one, the city received a distribution from the Reliance Insurance settlement of \$221,527 which helped put the year-to-date revenue into a positive position. Without that distribution, revenue would be down \$273,001 or 2.3%. The Reliance Insurance settlement relates to the property insurance company that the city had in the year 2001 when a major hail storm pummeled the city. Reliance went bankrupt shortly after that storm. The city had unpaid claims totaling \$886,107 after initial insurance payments prior to the bankruptcy filing. The city has received payments of \$354,443 and \$221,527 leaving a balance of \$310,137 on the unpaid claims.

Two revenue sources reflect a significant drop in revenue. The utility tax is down \$332,654 and court revenue is down \$366,371 for a total of \$699,025 between the two. Five revenue sources account for an increase in revenue of \$580,564. The golf course is up \$48,681 for the first six months of the year. Sales tax, as discussed earlier, is up \$107,920. Business licenses are up \$96,929 primarily on the addition of the Walmart business license. However, the larger retail businesses all seem to have had positive growth last year which leads directly to an increase in business license revenue. The majority of the smaller retail businesses were fairly flat and have yet to rebound from the economic decline of the past few years. Other revenue is up \$277,700 on the strength of property maintenance receipts which are up \$84,486 and the Reliance Insurance settlement which is reflected in this account. Grant revenue is up \$49,334 due to the timing of payments from the Ferguson-Florissant and Hazelwood school districts for School Resource Officers.

When compared to the six month forecasted budget of \$11,696,200, revenue is \$153,960 ahead of this projection. Without the Reliance Insurance settlement money, total general fund revenue would be \$67,567 under the forecast. Sales tax revenue is \$185,409 ahead of projections followed by miscellaneous revenue at \$336,103, interest at \$49,892, grants at \$48,270, golf course at \$37,557, and gasoline tax at \$21,404. Two revenue items exhibit negative results with the municipal court \$413,066 under budget and utility tax \$177,429 under budget for a total of \$590,495 under budget from these two sources.

Total General Fund Revenue:

Year	2011	2012	2013	2014	2015	2016
Actual	13,058,019	11,979,819	11,946,860	11,917,971	11,901,634	11,850,160
Budget	12,411,078	11,737,458	11,587,864	11,613,500	11,934,350	11,696,200
(+)/(-) Prior	1,337,503	-1,078,200	-32,959	-28,889	-16,337	-51,474
(+)/(-) Budget	646,941	242,361	358,996	304,471	-32,716	153,960

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 \$51,714 or 3.1% over 2015. This continues a trend of increasing revenue dating from 2013. Receipts are \$147,476 ahead of the mid-year budget forecast. Absent any significant set backs revenue should easily surpass the \$3,500,000 mark and finish near \$3,550,000. Sales tax receipts exhibit high volatility so these results could change very quickly but at this time it appears that the capital improvement sales tax should have a good year.

½% Capital Improvement Sales Tax

Year	2011	2012	2013	2014	2015	2016
Actual	1,560,015	1,542,282	1,584,951	1,608,561	1,695,762	1,747,476
Budget	1,465,000	1,460,000	1,510,000	1,510,000	1,610,000	1,600,000
(+)/(-) Prior	68,080	-17,733	42,669	23,610	87,201	51,714
(+)/(-) Budget	95,015	82,282	74,951	98,561	85,762	147,476

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.

Park improvement sales tax receipts are up \$169,026 or 10.6% over 2015. This continues a trend of increasing revenue dating from 2012. The unusually strong returns are directly related to the addition of a major retailer, Walmart, to the city’s retail mix. If the current pace holds, revenue could exceed the \$3,400,000 mark for the first time and approach \$3,450,000. When compared to budget forecasts, receipts are \$89,890 ahead of projections.

½% Park Sales Tax

Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Actual	1,485,591	1,453,488	1,497,859	1,528,820	1,595,864	1,764,890
Budget	1,405,000	1,380,000	1,435,000	1,420,000	1,530,000	1,675,000
(+)/(-) Prior	71,881	-32,103	44,371	30,961	67,044	169,026
(+)/(-) Budget	80,591	73,488	62,859	108,820	65,864	89,890

STREET FUND

STREET SALES TAX represents revenue from the ¼% general purpose sales tax which was approved by the voters at the November 3, 2015 general election. This is a general purpose sales tax that the Florissant City Council has determined to use specifically and exclusively for street replacement, repairs and maintenance. It is a point-of-sale sales tax with a sharing component that diverts about 15% of sales tax collections to the sales tax pool. The city receives a portion of this back as a member of the pool. Implementation of this sales tax began April 1, 2016. April collections were remitted to the Missouri Department of Revenue (DOR) in June. DOR then takes the month of June to receipt and process the payments. The first distribution from DOR to the city of this sales tax is expected to occur in July, 2016. It is estimated that the city could receive around \$400,000 from this sales tax during fiscal year 2016 but to date no funds have been received.

CONSUMMATUM EST

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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