



# Quarterly Financial Report

City of Florissant, Missouri

Second Quarter Ended May 31, 2017

June 13, 2017

## OVERVIEW

At the mid-point of the 2017 fiscal year revenue in the three major funds, general, capital improvement and park improvement, are all down when compared to 2016. General fund revenue is down \$258,924 or 2.2%. It's worth noting that general fund revenue in 2016 included \$221,527 from the second distribution of the Reliance Insurance settlement. If this is adjusted out of prior year revenue then general fund revenue would be down \$37,397 or 0.3% from last year. Both the capital improvement and park improvement sales tax funds are down from the mid-point of 2016, with the capital improvement sale tax down \$23,960 or 1.4% and the park improvement sales tax down \$18,897 or 1.1%. The street sales tax has received \$738,694 to date in the first full year of collections.

When comparing year-to-date revenue to the mid-year budget forecast, general fund revenue is short of the projection by \$244,265. The capital improvement fund exceeds the projection by \$33,516 while the park improvement fund is short of the budget forecast by \$29,006. The street sales tax fund exceeds the budget forecast by \$50,872.

A review of expenditure accounts reveals only a few issues. The Municipal Court department is over their salary forecast. This is due to a billing from one of the Prosecuting Attorneys covering the time period May through November, 2016 which was not received and paid until the current fiscal year. In addition, the new Court Clerk will be employed at a rate which is higher than the prior Court Clerk. These two items will have an impact on the Court salaries account going forward. The golf course salary account is also over the salary forecast and will need to be monitored closely as we progress through the golf season.

## GENERAL FUND REVENUE

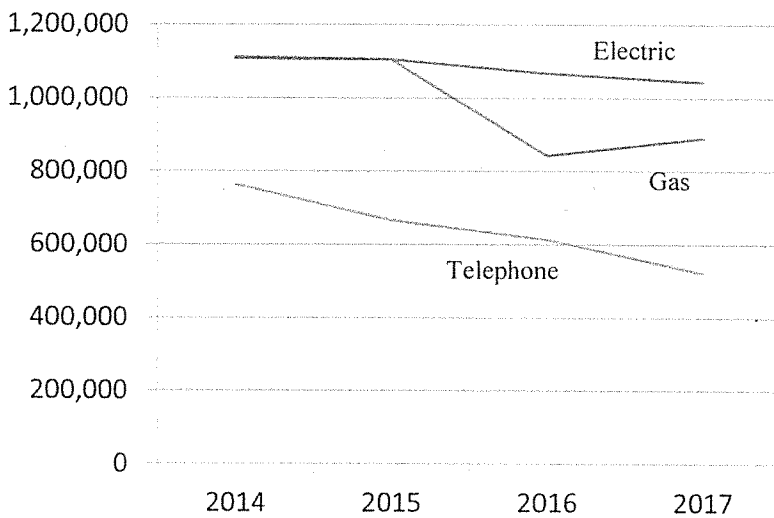
**Gasoline Tax** includes the motor vehicle fuel tax (gas tax) and the motor vehicle fee increases (fee increases) which are both collected and distributed by the Missouri Department of Revenue based on the city's population as a percent of a statewide pool.

When compared to the prior fiscal year revenue is up \$14,223 or 1.8%. While it is encouraging that receipts are up, it is worth noting that when compared to the mid-point of 2015, revenue is nearly dead even, up \$322 or 0.04%. Over this two year period there is no consistent growth. The 2016 mid-year budget forecast is \$799,000 and receipts eclipsed this target by \$1,627.

### Gasoline Tax:

Year	2012	2013	2014	2015	2016	2017
Actual	776,128	750,920	763,132	800,305	786,404	800,627
Budget	812,000	760,000	745,000	755,000	765,000	799,000
(+)/(-) Prior	-76,300	-25,208	12,212	37,173	-13,901	14,223
(+)/(-) Budget	-35,872	-9,080	18,132	45,305	21,404	1,627

**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 3.0% or \$81,648. When compared to 2015 and 2014, revenue is down \$414,302 and \$559,700 respectively. In the past, fluctuations in utility tax receipts have largely been attributable to variabilities in the weather.

However, when the utility tax component pieces of electric, gas and telephone are reviewed independently, a pattern emerges. Electric has declined consistently over the past four years. Telephone receipts have also declined each of the past four years, only on a much more accelerated scale. Gas declined two of the three years with 2017 reflecting an increase of \$47,246 or 5.6%. However, this is still over \$200,000 less than each year from 2012 through 2015. For 2017 electric exhibits a drop of \$24,074 but has the potential to make up that difference depending on how hot the summer is. Water, while not a part of the above discussion, is down \$13,675 or 6.5% at the mid-point of the year. Water also has the ability to make up this difference depending on the summer heat.

Declines in telephone gross receipts are also 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 for all cities. 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. In 2011 telephone receipts were \$950,555 for the first six months of the fiscal year. For the same period in 2017 receipts are \$522,126, a decline of \$428,429 or 45.1% over that time period. There is no indication that this pattern will slow down any time soon.

The mid-year budget was forecast at \$2,725,000. Actual receipts of \$2,650,923 are \$74,077 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 telephone tax receipts.

Utility Tax:

Year	2012	2013	2014	2015	2016	2017
Actual	2,914,801	3,085,973	3,210,623	3,065,225	2,732,571	2,650,923
Budget	2,955,000	2,910,000	3,060,000	3,230,000	2,910,000	2,725,000
(+)/(-) Prior	-307,420	171,172	124,650	-145,398	-332,654	-81,648
(+)/(-) Budget	-40,199	175,973	150,623	-164,775	-177,429	-74,077

**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 \$536.2 million with the 2016 valuation, a drop of 21.6% from 2007 but an increase of 1.0% from 2015. Real estate assessed valuation accounts for about 82.4% of total assessed value and has dropped from \$579.9 million in 2007 to \$441.7 million in 2016, a drop of \$138.2 million or 23.8% since 2007.

Through the mid-point of fiscal year 2017 the city received \$520,159 in revenue. Mid-year revenue is up \$4,606 or 0.9% over 2016. Receipts exceed the forecasted mid-year budget of \$501,000 by \$19,159.

Road and Bridge Tax:

Year	2012	2013	2014	2015	2016	2017
Actual	557,718	564,717	530,431	506,791	515,553	520,159
Budget	580,500	552,500	553,000	529,000	506,300	501,000
(+)/(-) Prior	-53,904	6,999	-34,286	-23,640	8,762	4,606
(+)/(-) Budget	-22,782	12,217	-22,569	-22,209	9,253	19,159

**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.

With a budget of \$8.1 million, sales tax is the single largest revenue source in the general fund, making up 35.6% of budgeted revenue in the general fund. When compared to the prior fiscal year, revenue of \$3,633,258 is down 3.0% or \$112,151. The 1% countywide sales tax is down \$125,169 or 3.5% while the motor vehicle sales tax is up \$13,018 or 6.2%. The six month budget forecast is \$3,770,000 and receipts are \$136,742 under this projection.

In 2016 the Missouri State Legislature passed legislation which changed the St. Louis County sales tax distribution formula. Beginning January 1, 2017 pool cities would keep 50% of the amount generated over a base year amount. Through the end of May, Florissant has given up \$74,194 to a handful of needy cities including Chesterfield, Maryland Heights, Green Park, and Fenton.

In 2016 the cities of Ferguson and St. Ann, with a combined population of 34,223, elected to terminate their status as point-of-sale cities and entered the sales tax pool. This increased the pool population which further thinned out the distribution.

Sales Tax:

Year	2012	2013	2014	2015	2016	2017
Actual	3,218,417	3,295,648	3,551,401	3,637,489	3,745,409	3,633,258
Budget	3,095,000	3,240,000	3,245,000	3,390,000	3,560,000	3,770,000
(+)/(-) Prior	-19,747	77,231	255,753	86,088	107,920	-112,151
(+)/(-) Budget	123,417	55,648	306,401	247,489	185,409	-136,742

**Total General Fund Revenue** is down \$258,925 or 2.2% from last year. As discussed in the overview on page one, the city received a distribution from the Reliance Insurance settlement in 2016 of \$221,527. No such distribution was received in 2017. Discounting this one-time settlement payment from the prior year, 2017 revenue is nearly even with 2016, down \$37,397 or 0.3%. 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.

In addition, the second quarter franchise fee payment from one of the cable TV providers was not received in time to post in May. This payment, which is \$106,154, would normally be reflected in the May operating report. Had the Cable TV payment been received in a timely manner, monthly receipts would be \$11,697,398 which is \$152,771 or 1.3% short of the budget. Knowing this, the overall picture is still not good but does improve somewhat.

A number of revenue sources reflect notable drops from the prior year. Sales tax is down \$112,151, utility tax is down \$81,648, court revenue is down \$187,463 and cable TV is down \$146,637 for a combined total of \$527,899 between these four revenue sources. Two revenue sources account for an increase in revenue of \$354,582. Business license receipts are up \$306,515, primarily due to the new real estate license fee and vacant property fees, and building permits are up \$48,067. Golf course revenue is very similar to last year, down \$7,613. Theater is up significantly at \$39,342 due to assumption of the St. Louis Family Theater Series and associated revenue. Property maintenance receipts which are down \$33,204.

When compared to the six month forecasted budget of \$11,835,000, revenue is \$244,265 under budget projections. Specific revenue sources under budget projections include sales tax revenue at \$136,742, utility tax at \$74,077, court at \$105,529, and cable TV at \$144,472. If the late payment was added in, Cable TV would still be \$38,318 under projections. Cable TV reflects a steep decline in receipts from AT&T as it appears they are changing business models and moving to an internet delivery system where they would not be required to collect utility franchise fees. Revenue sources exceeding forecasts include road and bridge tax at \$19,159 which is likely a timing issue, building permits at \$59,123 and other revenue at \$180,059 which is primarily a reflection of the receipt of police forfeiture funds.

Total General Fund Revenue:

Year	2012	2013	2014	2015	2016	2017
Actual	11,979,819	11,946,860	11,917,971	11,901,634	11,850,160	11,591,235
Budget	11,737,458	11,587,864	11,613,500	11,934,350	11,696,200	11,835,500
(+)/(-) Prior	-1,078,200	-32,959	-28,889	-16,337	-51,474	-258,925
(+)/(-) Budget	242,361	358,996	304,471	-32,716	153,960	-244,265

**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.

Capital improvement sales tax is down \$23,960 or 1.4% from 2016. Receipts are \$33,516 ahead of the mid-year budget forecast. Absent any significant reversals revenue should exceed the budget of \$3,450,000 but I would not expect it to be by much.

½% Capital Improvement Sales Tax

Year	2012	2013	2014	2015	2016	2017
Actual	1,542,282	1,584,951	1,608,561	1,695,762	1,747,476	1,723,516
Budget	1,460,000	1,510,000	1,510,000	1,610,000	1,600,000	1,690,000
(+)/(-) Prior	-17,733	42,669	23,610	87,201	51,714	-23,960
(+)/(-) Budget	82,282	74,951	98,561	85,762	147,476	33,516

**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 down \$18,896 or 1.1% from 2016. Receipts are \$29,006 less than the mid-year budget forecast of \$1,775,000. Revenue should be very near the budget of \$3,500,000 but given the typical swings in sales tax receipts it is too close to call as to whether final receipts will meet or exceed the budget amount.

½% Park Sales Tax

Year	2012	2013	2014	2015	2016	2017
Actual	1,453,488	1,497,859	1,528,820	1,595,864	1,764,890	1,745,994
Budget	1,380,000	1,435,000	1,420,000	1,530,000	1,675,000	1,775,000
(+)/(-) Prior	-32,103	44,371	30,961	67,044	169,026	-18,896
(+)/(-) Budget	73,488	62,859	108,820	65,864	89,890	-29,006

### 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.

Street sales tax receipts are \$761,872 for the first full six-month collection period. Compared to the budget forecast, revenue is \$50,872 ahead of projections but absent a track record it's difficult to tell how accurate the forecast actually is.

#### ¼% Street Sales Tax

Year	2012	2013	2014	2015	2016	2017
Actual	0	0	0	0	23,178	761,872
Budget	0	0	0	0	0	711,000
(+)/(-) Prior	0	0	0	0	0	738,694
(+)/(-) Budget	0	0	0	0	23,178	50,872

### SOURCE MATERIAL

Revenue information provided in this Quarterly Financial Report is primarily derived from the monthly Statement of Cash Receipts and Disbursements, commonly referred to as the Monthly Operating Report. Copies of the Monthly Operating Report may be found on the city's web site at [www.florissantmo.com](http://www.florissantmo.com).

*R. J. McDaniel*

Randal J. McDaniel  
Director of Finance