



CITY OF BAY CITY

FY 2019 1st Quarter Financial Report

As of December 31, 2018

The City of Bay City Finance Department is dedicated to excellence in local government, comprehensive fiscal management, compliance and reporting. The Monthly Report is used to provide our internal and external customers financial reporting with easy to read narratives regarding the City's financial position.

This report represents a general overview of financial operations through **December 2018**, the third month, and **25.00%** of FY 2019.

1. The **Financial Summaries** provide comparative data for revenues and expenditures by fund. Data shows current monthly and year to date information as it relates to budget. Beginning fund balances are estimates until the final audit is complete.
 - The **General Fund** is the general operating fund of the City. It is used to account for all financial resources except those accounted for in other specific funds. This fund includes all general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund. General operating expenditures, fixed charges and capital improvement costs not paid through other funds are paid from this fund.
 - The **Public Utility Fund** accounts for the operations costs to provide water and sewer services to the citizens of Bay City.
 - The **Airport Fund** is used to account for the operations of the Airport, and to account for the rent generated from its T-hangers and fuel sold.
 - The **Hotel/Motel Occupancy Tax Fund** was established to directly enhance and promote tourism and the convention and hotel industry or other expenses as approved by State Law.
2. The **Investment Report** provides a description of investment activity during the quarter.

This report does not include all funds related to the City of Bay City's Operations—please refer to the City's Comprehensive Annual Financial Report & the City's Annual Budget available on the City's website (www.cityofbaycity.org).

Go to the Finance Department's Web Page for all financial transparency information. This includes audits, budgets, quarterly reports, and check registers

General Fund Overview

Revenue Highlights

Revenues total \$3,267,649 or 21.7% of the budget.

- Property Tax. The certified value totaled \$857 million. Through December, the City received \$754,560 or (16.9%) of the 4.4-million-dollar property tax maintenance and operation budget. Most property taxes will be received by January to avoid penalties.
- Sales tax. First Quarter Sales Tax Allocation to the City is **up** 5% (\$76,929) as compared to the first quarter in prior year. Sales tax is anticipated to exceed budget expectations.
- Franchise fees are in line with budget. Licenses & Permits exceed the budget target, however this additional revenue will be offset by a third-party inspection contracted by the City.
- Fines and penalties (Court Fines, Arrest Fees) are below budget expectations by \$15,000.
- Charges for services represents sanitation fees - \$607,396 (25% of budget).
- Miscellaneous Revenue appears below budget; however this is due to the timing of grant payments and/or interlocal agreements. (i.e. Bay City Gas Company, County, BCCDC)

General Fund Expenditure Highlights

Expenditures total 3,242,996 or 21.6% of budget.

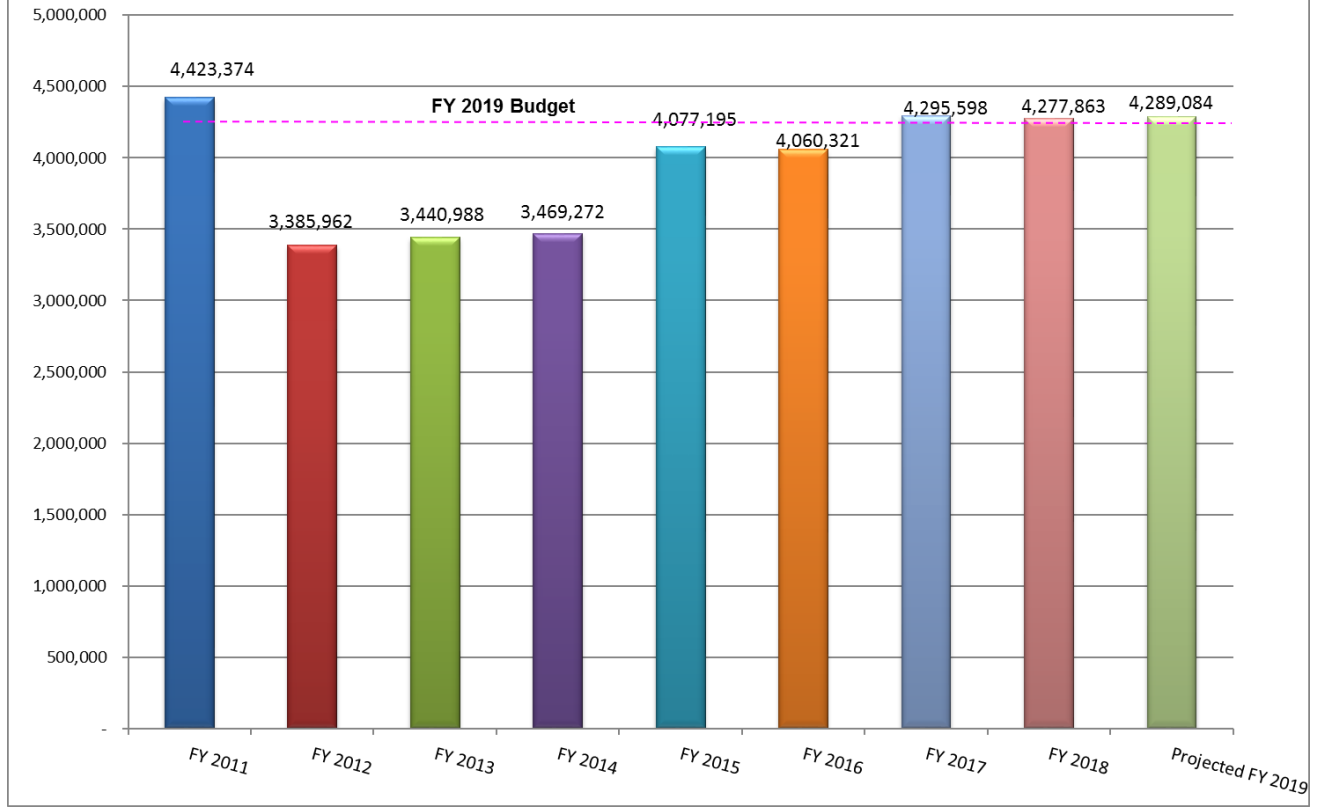
- Most departments are under the 25% budget target. Budgets that are over the budget target are primarily due to timing of payments.
 - Fire Department exceeding budget target due to timing of support payment to the Volunteer Fire Department.

The General Fund's fund balance is budgeted to increase by \$500,000. **The city reserve level currently is below the minimum policy of 25%.** See bottom of page 3 for more clarification. The beginning cash position (October 1, 2018) was 2.2 million which represents approximately 16% operating reserve. The City plans to build reserve over the next 1-2 years. Sales tax and departmental savings should aide in the building of the reserve by fiscal year end.

GENERAL FUND FINANCIAL SUMMARY

General Fund (Fund 11)					
Percent of Fiscal Year Complete	25%				
	Total Budget	YTD Actual*	Over(Under) Budget to Date	% FY 2019 Budget	
Beginning Fund Balance	\$ 2,243,239	\$ 2,243,239	Pre-Audit		
REVENUES					
Property Taxes	4,459,684	754,560	3,705,124	16.9%	
Sales Tax	4,275,000	1,110,323	3,164,677	26.0%	
Other Local Taxes (Franchise)	1,312,500	331,625	980,875	25.3%	
Charges for Services (Sanitation)	2,443,000	607,396	1,835,604	24.9%	
Fines & Penalties	203,000	34,998	168,002	17.2%	
Licenses & Permits	180,500	89,998	90,502	49.9%	
Miscellaneous	1,415,516	134,673	1,280,843	9.5%	
Transfers	741,800	204,076	537,724	27.5%	
Total Revenues	\$ 15,031,000	\$ 3,267,649	\$ 11,763,351	21.7%	
EXPENDITURES					
City Secretary	148,949	32,526	116,423	21.8%	
City General Services	2,708,449	679,129	2,029,320	25.1%	
Administrative Council	207,580	44,490	163,090	21.4%	
Main Street	55,800	10,773	45,027	19.3%	
Human Resources	246,623	60,246	186,377	24.4%	
Municipal Court	318,522	67,425	251,097	21.2%	
Finance	322,582	75,779	246,803	23.5%	
Police	4,463,977	1,103,105	3,360,872	24.7%	
Animal Impoundment	165,482	38,911	126,571	23.5%	
Fire Department	194,391	132,626	61,765	68.2%	
Street and Bridgne	3,230,327	503,185	2,727,142	15.6%	
Recycling Center	394,505	34,590	359,916	8.8%	
Parks	1,015,961	170,314	845,647	16.8%	
Riverside Park	273,517	50,154	223,363	18.3%	
Recreation	94,186	22,549	71,637	23.9%	
Pool Operations	266,681	28,050	238,631	10.5%	
Library	423,468	189,143	234,325	44.7%	
Total Expenditures	\$ 14,531,000	\$ 3,242,996	\$ 11,288,004	22.3%	
*YTD does not includes encumbrances					
Net Revenue (Expenditures)	\$ 500,000	\$ 24,653			
Ending Fund Balance	\$ 2,743,239	\$ 2,267,892			
% of Operating Reserves	19.77%	16.34%			
Fund Balance Target 90 days (25%)	\$ 3,469,194				
Over/(Under) min Policy Level (25%)	\$ (725,955)	\$ (1,201,302)			

SALES TAX YEARLY COMPARISON



	<i>1st Quarter</i>		% Change from Prior Year	Variance
	Fiscal Year 2018	Fiscal Year 2019		
October	435,515.45	478,488.55	9.87%	42,973.10
November	489,619.93	511,169.44	4.40%	21,549.51
December	478,366.81	490,772.79	2.59%	12,405.98
Total	1,403,502.19	1,480,430.78	5.48%	76,928.59
City General Fund (75%)	1,052,626.64	1,110,323.09		57,696.44
BCCDC (25%)	350,875.55	370,107.70		19,232.15
	1,403,502.19	1,480,430.78		76,928.59

Public Utility Fund Overview

Revenue Highlights

- As a percentage of budget, total Water & Sewer Revenue is 25% being on target with budget expectations.

Expenditure Highlights

- Total expenditures for the Utility Fund sit nicely at 16% of budget.
- All departments are within budget expectations.

PUBLIC UTILITY FUND FINANCIAL SUMMARY

Utility Fund (Fund 61)					
Percent of Fiscal Year Complete	25%				
	Total Budget	YTD Actual*	Over(Under) Budget to Date	% FY 2019 Budget	
Beginning Fund Balance	\$ 2,842,380	\$ 2,842,380	Pre-Audit		
REVENUES					
Charges for Services	7,594,000	1,888,898	5,705,102	25%	
Fines & Penalties	175,000	43,097	131,903	25%	
Miscellaneous	10,000	5,053	4,947	51%	
Total Revenues	7,779,000	1,937,048	5,841,952	25%	
EXPENDITURES					
Utility General	4,448,218	906,218	3,542,000	20%	
Utility Maintenance	1,920,076	200,752	1,719,324	10%	
Water & WWTP Division	2,400,206	339,328	2,060,878	14%	
Warehouse Operations	86,500	14,715	71,785	17%	
Total Expenditures	\$ 8,855,000	\$ 1,461,012	\$ 7,393,988	16%	
*YTD does not include encumbrances					
Net Revenue (Expenditures)	\$ (1,076,000)	\$ 476,036			
Ending Fund Balance	\$ 1,766,380	\$ 3,318,416			
% of Operating Reserves	24.14%	45.36%			
Target 90 days (25%)	1,829,060				
Over/(Under) Target	\$ (62,680)				

Airport Fund Overview

Revenue Highlights

- As a percentage of budget, core Airport revenues are meeting budget expectations.
- Timing of TXDOT RAMP Grant causes “Miscellaneous” revenue to appear above the budget target.
- General Fund (Transfers In) subsidizes the Airport by \$250,000, an increase of \$100,000 over prior year to support the “runway project”.

Expenditure Highlights

- As a percentage of budget, total expenditures are 31%. Repairs and Maintenance represent 75% of budget—this is due to the timing of the relocation of the fuel system.

AIRPORT FUND FINANCIAL SUMMARY

Municipal Airport Fund (Fund 64)					
Percent of Fiscal Year Complete	25%				
	Total Budget	YTD Actual*	Over(Under) Budget to Date	% FY 2019 Budget	
Beginning Fund Balance	\$ 116,752	\$ 116,752	Pre-Audit		
REVENUES					
Charges for Services	-	150	(150)		0%
Miscellaneous	156,000	81,296	74,704		52%
Transfers	250,000	62,500	187,500		25%
Other Revenue (Fuel Sales)	178,500	41,638	136,862		23%
Total Revenues	\$ 584,500	\$ 185,584	\$ 398,916		32%
EXPENDITURES					
Personnel	136,850	31,758	105,092		23%
Supplies & Materials	154,000	40,466	113,534		26%
Other Charges & Services	73,700	19,610	54,090		27%
Repairs & Maintenance	124,900	93,568	31,332		75%
Capital Expenditures	152,550	12,525	140,025		8%
Total Expenditures	\$ 642,000	\$ 197,926	\$ 444,074		31%
*YTD does not include encumbrances					
Net Revenue (Expenditures)	\$ (57,500)	\$ (12,342)			
Ending Fund Balance	\$ 59,252	\$ 104,410			
<i>No minimum Fund Balance Policy</i>					
General Fund subsidizes \$250,000					

Civic & Cultural Arts Fund (Hotel /Motel Fund) Overview

Revenue Highlights

- As a percentage of budget, total Hotel/Motel Fund is below budget target of 25%, this is due the timing of hotel payments. Most hotels remit tax on a monthly or quarterly basis. (October-December receipts will not be remitted until January)
- Miscellaneous (Civic Center rental fees) are slightly under budget.

Expenditure Highlights

- Total expenditures are slightly below the budget target; however this is due to the timing various budgets within the Hotel / Motel Fund.
- Council Discretionary is at 54% due to timing of payment to the Museum.

HOTEL/MOTEL FUND FINANCIAL SUMMARY

Civic & Cultural Arts Fund (Fund 25)				
Percent of Fiscal Year Complete	25%			
	Total Budget	YTD Actual*	Over(Under) Budget to Date	% FY 2019 Budget
Beginning Fund Balance	\$ 419,255	\$ 419,255	Pre-Audit	
Revenues				
Hotel Occupancy Tax	\$ 800,000	\$ 35,109	\$ 764,891	4%
Miscellaneous	79,000	16,415	\$ 62,585	21%
Total Revenues	\$ 879,000	51,524	\$ 827,476	6%
Expenditures				
Council Discretionary	\$ 133,000	72,000	61,000	54%
Tourism Department	263,000	72,348	190,652	28%
Civic Center	311,000	51,706	259,294	17%
Bay City Theatre	172,000	6,763	165,237	4%
Total Expenditures	\$ 879,000	\$ 202,817	\$ 676,183	23%
*YTD does not include encumbrances				
Net Revenue (Expenditures)	\$ -	\$ (151,293)		
Ending Fund Balance	\$ 419,255	\$ 267,962		
<i>Proposed to maintain \$50,000</i>				

Departmental Highlights - Quarter Activity

Building Department New Homes



2 NEW RESIDENTIAL HOMES!

Value Added: \$579,000 Total Taxes= \$3,792

Commercial

BUSINESS 2

Value Added: \$16 million (FB Stadium 15M; Ace Hardware 750K) Total Taxes= \$4,912

	Oct - Dec 2017	Oct - Dec 2018
Building Inspections	260	494

Street and Bridge

Utility

	Oct - Dec 2018		Oct - Dec 2018
Concrete Pavement Repair	6	Water Leaks	109
Ditch Cleaning	18	Meter Leaks	34
Asphalt Pavement Repair	59	Sewer Repairs	235
Utility/Asphalt/Concrete Repair	17	Low Pressure Reads	45
Signs	7	Meter Swaps	275
Traffic Control Devices	12	Water/Sewer Taps	8

Police Statistics

	Oct - Dec 2017	Oct - Dec 2018
Calls for service	6,908	6,837
Arrests	263	299
Cases assigned to CID	775	369
Cases cleared by CID	503	521

Civic Center

	Fiscal YTD 2018	Fiscal YTD 2019
Total Revenue	\$18,200	\$14,215
Total Expenditures	\$55,311	\$51,706

FINANCIAL CHALLENGES OF THE CITY

Governmental Funds

[General Fund](#)

Reserve Levels-The City needs to build reserves up to policy level over the next 1-2 fiscal years.

Proprietary Funds

[Public Utility Fund](#)

None

[Airport](#)

None

Monitoring:

Sales Tax

Investment Report 1st Quarter Fiscal Year 2019

The City has a weighted average portfolio of 1 day with an average book yield of 2.07%. The City is liquid with 100% of the portfolio in a 0-1-year maturity. Average interest rates have increased since prior quarter. All short-term investments average over 2%. Investment earnings are \$53,941 for the quarter and up \$32,104 as compared to the same quarter last year. The investment strategy currently is to stay short with diversification (Checking & Investment Pools) to minimize interest rate risk in the future. However, the City will begin to build a laddered portfolio with some investment moving into 2-3 year maturities when it is feasible to do so.

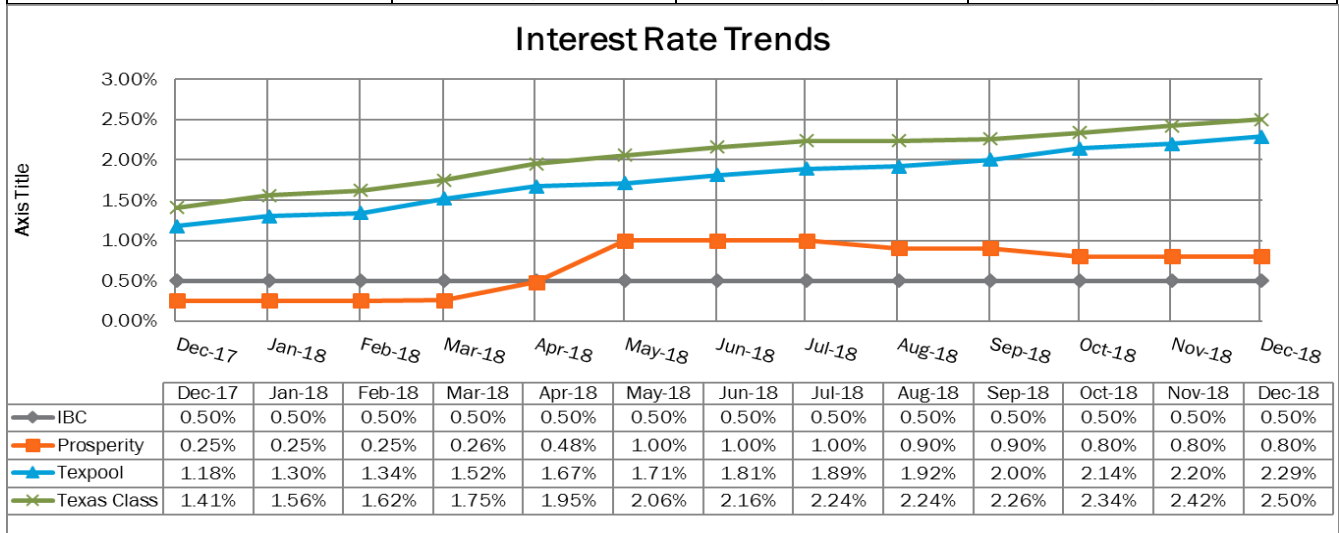
December 31, 2018 Balances

	Total Bal by Type	% of Portfolio
IBC	\$ 941,580.74	9%
Prosperity Bank	\$ 275,719.22	3%
Petty Cash/Cash Drawers	\$ 3,577.00	0%
Texpool	\$ 6,273,767.47	61%
Texas Class	\$ 2,817,425.64	27%
CD's	\$ -	0%
Securities	\$ -	0%
	\$10,312,070.07	100 %

Interest Earnings

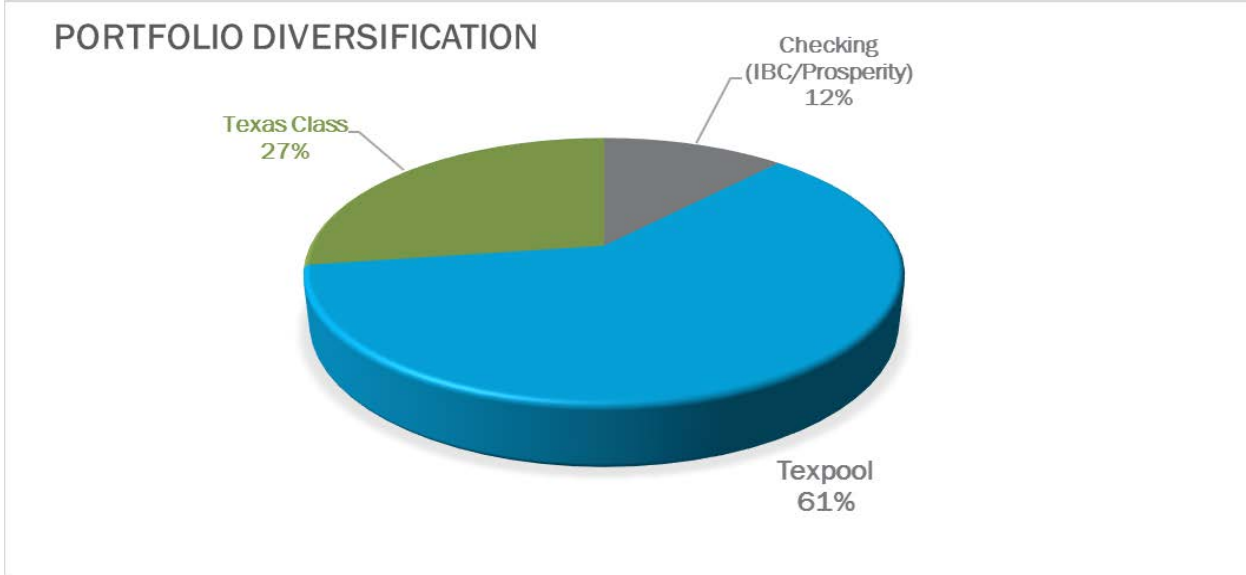
Interest received during the 1st quarter totaled \$ 53,941 and represents interest paid on checking accounts and investments.

Portfolio	Qtr 12-31-17	Qtr 12-31-18	Over Prior Year
Interest Received	\$21,837	\$53,941	\$32,104



Portfolio Diversification


Portfolio Diversification is used to create a structure to reduce investment risks and a portfolio that will experience minimal volatility during economic cycles.



Portfolio Maturity Schedule

The goal is to ladder the City’s portfolio. Due to some economic uncertainty and low interest rates, staying short for investment purposes is the strategy for any investments.

Years to Maturity	Face Value	% Total
0-1	\$10,312,070	100%
1-2	\$ 0	0%
2-3	\$ 0	0%
Total	\$10,312,070	100%

 City of BAY CITY vs. Benchmarks for Quarter Ending December 31, 2018						
BOOK VALUE	MARKET VALUE	Unrealized Gain/<Loss>	Average Book Yield	Benchmark Pools	Benchmark 90 Day T-Bill	
\$ 10,312,070	\$ 10,312,070	-	2.07%	2.32%	2.34%	
Weighted Average						
Maturity	1.00 Day(s)		2.07%	Yield		