



CITY OF BAY CITY

FY 2018 2nd Quarter Financial Report

As of March 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 **March 2018**, the sixth month, and **50.00%** of FY 2018.

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 \$8,608,354 or 59.3% of the budget.

- Property Tax. The certified value totaled \$811 million. Through March, the City received \$3,942,362 or (92.4%) of the 4.2-million-dollar property tax maintenance and operation budget. Most property taxes were received by Jan 2018.
- Sales tax. Second Quarter Sales Tax Allocation to the City is down .7% (\$9,825) as compared to second quarter in prior year. However, collections are up YTD by \$13,101. Sales tax is anticipated to exceed budget expectations.
- Franchise fees are in line with budget. Licenses & Permits appear to far 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 \$37,000.
- Charges for services represents sanitation fees - \$1,171,041 (51% of budget).
- Other Revenue holds a budget of 540,000. The City will issue a tax note to fund capital improvements in the General Fund (Police Roof and Library Roof).

General Fund Expenditure Highlights

Expenditures total 5,998,215 or 41.3% of budget.

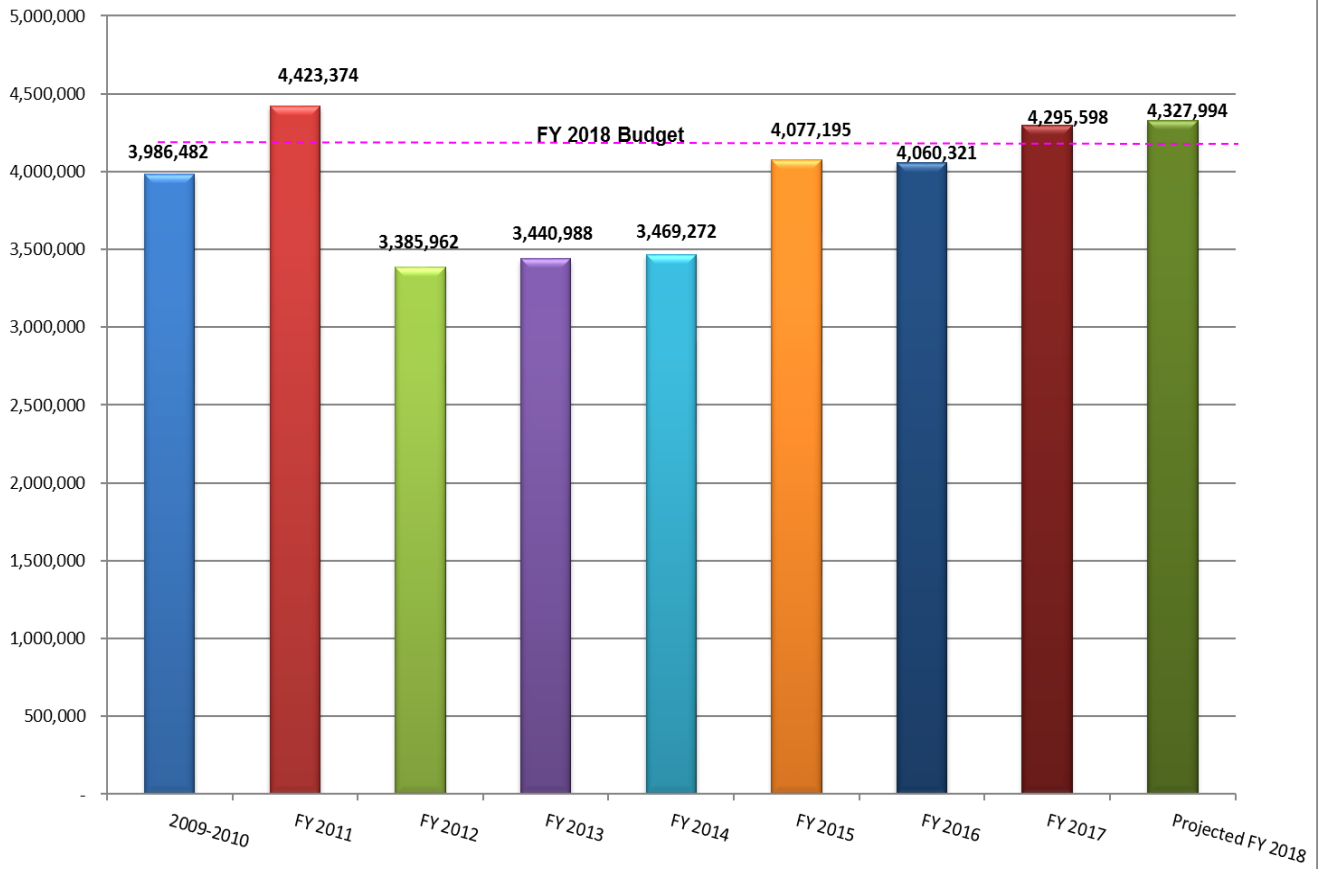
- Most departments are under the 50% budget target. Budgets that are over the budget target are primarily due to timing of payments.
 - City Secretary exceeding budget target due to timing of expenditures.
 - Main Street budget is exceeding budget target due to unanticipated payment for downtown lighting (Amendment needed)
 - 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 remain flat. **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, 2017) 1.3 million represents less than 10% operating reserve. The City plans to build reserve over the next 3-4 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	50%				
	Total Budget	YTD Actual*	Over(Under) Budget to Date	% FY 2018 Budget	
Beginning Fund Balance	\$ 1,363,153	\$ 1,363,153			
REVENUES					
Property Taxes	4,267,949	3,942,362	325,587	92.4%	
Sales Tax	4,117,500	2,105,054	2,012,446	51.1%	
Other Local Taxes (Franchise)	1,300,000	641,267	658,733	49.3%	
Charges for Services (Sanitation)	2,316,000	1,171,041	1,144,959	50.6%	
Fines & Penalties	283,500	104,714	178,786	36.9%	
Licenses & Permits	181,500	206,686	(25,186)	113.9%	
Miscellaneous	997,751	180,331	817,420	18.1%	
Transfers	513,800	256,900	256,900	50.0%	
Other Revenue	540,000	-	540,000	0.0%	
Total Revenues	\$ 14,518,000	\$ 8,608,354	\$ 5,909,646	59.3%	
EXPENDITURES					
City Secretary	141,451	81,466	59,985	57.6%	
City General Services	2,665,540	1,172,343	1,493,197	44.0%	
Administrative Council	206,205	95,534	110,671	46.3%	
Main Street	50,800	37,151	13,649	73.1%	
Personnel Resources	238,202	115,385	122,817	48.4%	
Municipal Court	308,019	122,514	185,505	39.8%	
Finance	318,745	141,996	176,749	44.5%	
Police	4,666,840	2,050,878	2,615,962	43.9%	
Animal Impoundment	163,830	73,855	89,975	45.1%	
Fire Department	185,198	120,634	64,564	65.1%	
Public Works	3,177,046	1,133,239	2,043,807	35.7%	
Recycling Center	160,029	66,325	93,704	41.4%	
Parks	929,937	411,237	518,700	44.2%	
Riverside Park	223,300	57,081	166,219	25.6%	
Recreation	100,012	39,538	60,474	39.5%	
Aquatics	296,096	89,396	206,700	30.2%	
Library	686,750	189,643	497,107	27.6%	
Total Expenditures	\$ 14,518,000	\$ 5,998,215	\$ 8,519,785	41.3%	
*YTD does not includes encumbrances					
Net Revenue (Expenditures)	\$ -	\$ 2,610,138			
Ending Fund Balance	\$ 1,363,153	\$ 3,973,291			
% of Operating Reserves	9.82%	27.37%			
Fund Balance Target 90 days (25%)	\$ 3,469,194				
Over/(Under) min Policy Level (25%)	\$ (2,106,041)				

SALES TAX YEARLY COMPARISON



	<i>2nd Quarter</i>		% Change from Prior Year	Variance
	Fiscal Year 2017	Fiscal Year 2018		
January	476,731.86	439,783.22	-7.75%	(36,948.64)
February	509,732.72	549,838.49	7.87%	40,105.77
March	426,596.22	413,614.28	-3.04%	(12,981.94)
Total	1,413,060.80	1,403,235.99	-0.70%	(9,824.81)
City General Fund (75%)	1,059,795.60	1,052,426.99		(7,368.61)
BCCDC (25%)	353,265.20	350,809.00		(2,456.20)
	1,413,060.80	1,403,235.99		(9,824.81)

Public Utility Fund Overview

Revenue Highlights

- As a percentage of budget, total Water & Sewer Revenue is 49% being on target with budget expectations.

Expenditure Highlights

- Total expenditures for the Utility Fund sit nicely at 39% of budget.
- All departments are within budget expectations.

PUBLIC UTILITY FUND FINANCIAL SUMMARY

Utility Fund (Fund 61)					
Percent of Fiscal Year Complete	50%				
	Total Budget	YTD Actual*	Over(Under) Budget to Date	% FY 2018 Budget	
Beginning Fund Balance	\$ 3,166,423	\$ 3,166,423			
REVENUES					
Charges for Services	7,522,000	3,623,746	3,898,254	48%	
Fines & Penalties	190,000	105,354	84,646	55%	
Miscellaneous	9,000	19,794	(10,794)	0%	
Total Revenues	7,721,000	3,748,893	3,972,107	49%	
EXPENDITURES					
General Operation	3,853,885	1,857,208	1,996,677	48%	
Water	2,139,829	492,555	1,647,274	23%	
Sewer	1,640,786	606,995	1,033,791	37%	
Warehouse Operations	86,500	40,208	46,292	46%	
Total Expenditures	\$ 7,721,000	\$ 2,996,966	\$ 4,724,034	39%	
*YTD includes encumbrances					
Net Revenue (Expenditures)	\$ -	\$ 751,927			
Ending Fund Balance	\$ 3,166,423	\$ 3,918,350			
% of Operating Reserves	43.28%	53.56%			
Target 90 days (25%)	1,829,060				
Over/(Under) Target	\$ 1,337,364				

Airport Fund Overview

Revenue Highlights

- As a percentage of budget, core Airport revenues meet budget expectations. Timing of TXDOT RAMP Grant causes “Miscellaneous” revenue to appear below the budget target.
- General Fund (Transfers In) subsidizes the Airport by \$150,000.

Expenditure Highlights

- As a percentage of budget, total expenditures are 35%. Capital Expenditures represent 81% of budget—this is due to the timing of the TXDOT airport project.

AIRPORT FUND FINANCIAL SUMMARY

Municipal Airport Fund (Fund 64)					
Percent of Fiscal Year Complete	50%				
	Total Budget	YTD Actual*	Over(Under) Budget to Date	% FY 2018 Budget	
Beginning Fund Balance	\$ 109,256	\$ 109,256			
REVENUES					
Charges for Services	-	350	(350)	0%	
Miscellaneous	158,000	49,243	108,757	31%	
Transfers	150,000	75,000	75,000	50%	
Other Revenue (Fuel Sales)	160,500	79,860	80,640	50%	
Total Revenues	\$ 468,500	\$ 204,453	\$ 264,047	44%	
EXPENDITURES					
Personnel	133,046	48,044	85,002	36%	
Supplies & Materials	119,500	35,268	84,232	30%	
Other Charges & Services	82,104	36,924	45,180	45%	
Repairs & Maintenance	138,829	29,219	109,610	21%	
Capital Expenditures	32,021	25,864	6,157	81%	
Total Expenditures	\$ 505,500	\$ 175,318	\$ 330,182	35%	
*YTD includes encumbrances					
Net Revenue (Expenditures)	\$ (37,000)	\$ 29,135			
Ending Fund Balance	\$ 72,256	\$ 138,391			
<i>No minimum Fund Balance Policy</i>					
General Fund subsidizes \$150,000					

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

Revenue Highlights

- As a percentage of budget, total Hotel/Motel Fund is below budget target of 50%, this is due the timing of hotel payments. Most hotels remit tax on a monthly or quarterly basis. March receipts will not be remitted until April.
- The City also budgeted to receive outside financing sources \$585,000 (tax note) to replace the civic center roof. This is budgeted as part of Miscellaneous Income in the report.

Expenditure Highlights

- As a percentage of budget, total expenditures are below the budget target, however this is due to the timing various budgets within the Hotel / Motel Fund.
- The City budgeted to use \$184,350 of Fund Balance to support the Bay City Theatre renovations.

HOTEL/MOTEL FUND FINANCIAL SUMMARY

Civic & Cultural Arts Fund (Fund 25)				
Percent of Fiscal Year Complete		50%		
	Total Budget	YTD Actual*	Over(Under) Budget to Date	% FY 2018 Budget
Beginning Fund Balance	\$ 449,295	\$ 449,295		
Revenues				
Hotel Occupancy Tax	\$ 725,000	\$ 246,248	\$ 478,752	34%
Miscellaneous	657,650	54,116	\$ 603,534	8%
Total Revenues	\$ 1,382,650	300,364	\$ 1,082,286	22%
Expenditures				
Council Discretionary	\$ 173,545	87,355	86,190	50%
Tourism Department	219,955	91,137	128,818	41%
Civic Center	843,500	135,202	708,298	16%
Bay City Theatre	330,000	1,557	328,443	0%
Total Expenditures	\$ 1,567,000	\$ 315,251	\$ 1,251,749	20%
*YTD includes encumbrances				
Net Revenue (Expenditures)	\$ (184,350)	\$ (14,887)		
Ending Fund Balance	\$ 264,945	\$ 434,408		
<i>Proposed to maintain \$50,000</i>				

Departmental Highlights - Quarter Activity

Building Department New Homes



Value Added: \$1,346,164 Total Taxes= \$8,817

(Note: 14 Homes YTD; 2.4 million value; 16K taxes)

Commercial

BUSINESS 1

Value Added: \$2,700,000 Total Taxes= \$17,685

(Note: 6 Commercial YTD; 9 million value; 59K taxes)

	Jan-March 2017	Jan-March 2018
Building Inspections	642	463

Street and Bridge

Description	Total (work orders)
Concrete Pavement Repair	11
Ditch Cleaning	27
Asphalt Pavement Repair	72
Utility Asphalt/Concrete Repair	27
Signs	22
Traffic Control Devices	9

Utility

Description	Total (work orders)
Water leaks	69
Meter leaks	74
Sewer repairs	368
Low pressure reads	8
Meter swaps	170

Police Statistics

	Jan-March 2017	Jan-March 2018
Calls for service	7775	7133
Arrests	343	300
Cases assigned to CID	568	597
Cases cleared by CID	387	405

Civic Center

	Fiscal YTD 2017	Fiscal YTD 2018
Total Revenue	\$35,598	\$51,985
Total Expenditures	\$119,268	\$135,202

FINANCIAL CHALLENGES OF THE CITY

Governmental Funds

General Fund

Reserve Levels-The City needs to build reserves up to policy level over the next 3-4 fiscal years. The City has proactively provided amendments to offset Riverside Park Income due to park closure. (Hurricane Harvey)

Proprietary Funds

Public Utility Fund

None

Airport

None

Monitoring:

Sales Tax

Court Fines- Below Budget Target- 36%

Investment Report 2nd Quarter Fiscal Year 2018

The City has a weighted average portfolio of 1 day with an average book yield of 1.16%. The City is liquid with 100% of the portfolio in a 0-1-year maturity. Average interest rates have slightly increased since prior quarter. All short-term investments average less than 2%. Investment earnings are \$35,957 for the quarter and up \$23,288 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 ladder portfolio with some investment moving into 2-3 year maturities. The Investment Officer will begin to investing in short term securities.

March 31, 2018 Balances

	Total Bal by Type	% of Portfolio
IBC/Prosperity	\$ 3,319,003.78	25%
Petty Cash/Cash Drawers	\$ 3,577.00	0%
Texstar	\$ 7,174,401.24	53%
Texas Class	\$ 3,019,444.82	22%
CD's	\$ -	0%
Securities	\$ -	0%
	\$13,516,426.84	100 %

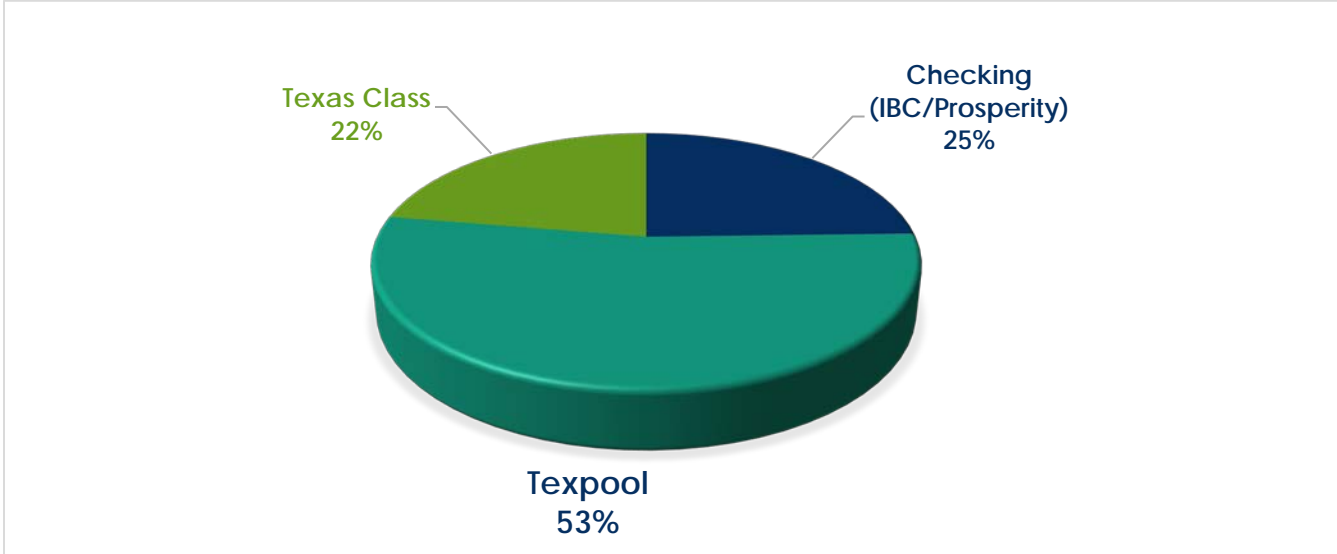
Interest Earnings

Interest received during the 2nd quarter totaled \$ 35,957 and represents interest paid on checking accounts and investments.

Portfolio	Qtr 03-31-17	Qtr 03-31-18	Over Prior Year
Interest Received	\$12,669	\$35,957	\$23,288

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	\$13,516,427	100%
1-2	\$ 0	0%
2-3	\$ 0	0%
Total	\$13,516,427	100%

	City of BAY CITY vs. Benchmarks for Quarter Ending MARCH 31, 2018					
	BOOK VALUE	MARKET VALUE	Unrealized Gain/<Loss>	Average Book Yield	Benchmark Pools	Benchmark 90 Day T-Bill
	\$ 13,516,427	\$ 13,516,427	-	1.16%	1.36%	1.59%
	Weighted Average					
	Maturity	1.00 Day(s)		1.16%	Yield	