



CITY OF BAY CITY

FY 2019 1st Quarter Financial Report

As of March 31, 2019

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 2019**, the sixth month, and **50.00%** 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 \$9,191,322 or 61.1% of the budget.

- Property Tax. The certified value totaled \$857 million. Through March, the City received \$4,116,643 or (92.3%) of the 4.4-million-dollar property tax maintenance and operation budget. Most property taxes were received by January to avoid penalties.
- Sales tax. Second Quarter Sales Tax Allocation to the City is **up** 4% (\$51,918) as compared to the second 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 and is expected to exceed budget at year end.
- Fines and penalties (Court Fines, Arrest Fees) are below budget expectations by \$18,000.
- Charges for services represents sanitation fees - \$1,219,779 (50% 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 6,264,971 or 43.1% of budget.

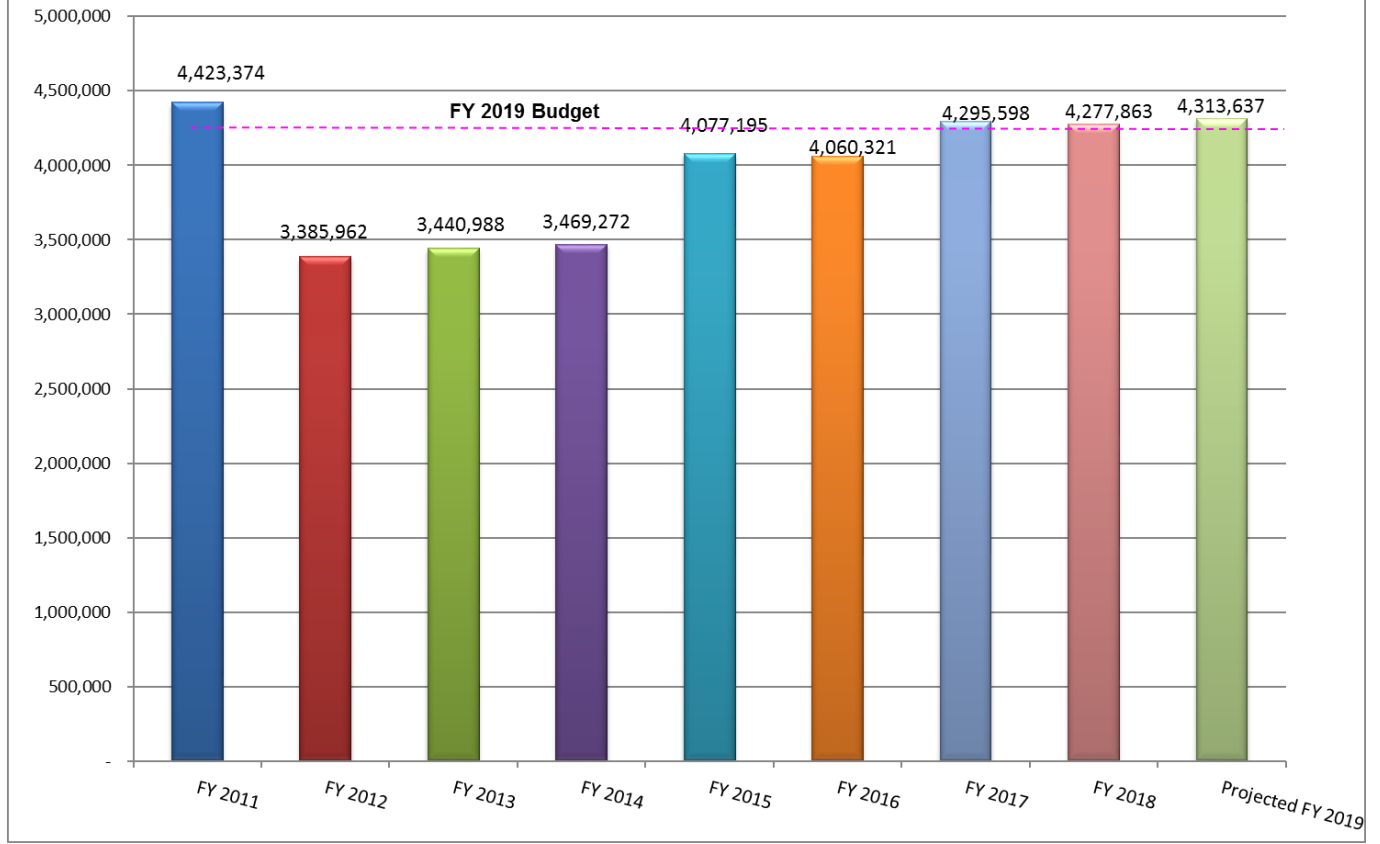
- Most departments are under the 50% budget target. Budgets that are over the budget target are primarily due to timing of payments.
 - Fire Department- timing of support payment to the Volunteer Fire Department; timing of repairs and maintenance of equipment
 - Recreation- timing of Parks events
 - Recycling Center- timing of new recycling center project expenditures

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 audited beginning cash position (October 1, 2018) was 2.2 million which represents approximately 16% operating reserve including transfers or 18% operating reserve excluding transfers. Transfers include funding for departments/funds such as Information Technology, Facilities/Equipment Maintenance, and the Bay City Airport. The City plans to build reserve over the next 1-2 years to meet or exceed the minimum 25% reserve requirement. 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 2019 Budget	
Beginning Fund Balance	\$ 2,218,367	\$ 2,218,367			
REVENUES					
Property Taxes	4,459,684	4,116,643	343,041	92.3%	
Sales Tax	4,275,000	2,201,688	2,073,312	51.5%	
Other Local Taxes (Franchise)	1,312,500	636,575	675,925	48.5%	
Charges for Services (Sanitation)	2,443,000	1,219,779	1,223,221	49.9%	
Fines & Penalties	203,000	83,302	119,698	41.0%	
Licenses & Permits	180,500	142,018	38,482	78.7%	
Miscellaneous	1,415,516	408,040	1,007,476	28.8%	
Transfers	741,800	383,276	358,524	51.7%	
Total Revenues	\$ 15,031,000	\$ 9,191,322	\$ 5,839,678	61.1%	
EXPENDITURES					
City Secretary	148,949	69,403	79,546	46.6%	
City General Services	2,708,449	1,334,922	1,373,527	49.3%	
Administrative Council	207,580	93,256	114,324	44.9%	
Main Street	55,800	17,263	38,537	30.9%	
Human Resources	246,623	123,075	123,548	49.9%	
Municipal Court	318,522	138,205	180,317	43.4%	
Finance	322,582	152,856	169,726	47.4%	
Police	4,463,977	2,087,329	2,376,648	46.8%	
Animal Impoundment	165,482	69,347	96,135	41.9%	
Fire Department	194,391	127,265	67,126	65.5%	
Street and Bridgne	3,230,327	1,049,454	2,180,873	32.5%	
Recycling Center	394,505	237,858	156,647	60.3%	
Parks	1,015,961	346,321	669,640	34.1%	
Riverside Park	273,517	100,170	173,347	36.6%	
Recreation	94,186	48,919	45,267	51.9%	
Pool Operations	266,681	65,650	201,031	24.6%	
Library	423,468	203,679	219,789	48.1%	
Total Expenditures	\$ 14,531,000	\$ 6,264,971	\$ 8,266,029	43.1%	
*YTD does not includes encumbrances					
Net Revenue (Expenditures)	\$ 500,000	\$ 2,926,351			
Ending Fund Balance	\$ 2,718,367	\$ 5,144,718			
% of Operating Reserves	19.78%	37.43%			
Fund Balance Target 90 days (25%)	\$ 3,435,795				
Over/(Under) min Policy Level (25%)	\$ (717,428)	\$ 1,708,924			

SALES TAX YEARLY COMPARISON



	<i>2nd Quarter</i>		% Change from Prior Year	Variance
	Fiscal Year 2018	Fiscal Year 2019		
January	439,783.22	420,788.91	-4.32%	(18,994.31)
February	549,838.49	568,926.16	3.47%	19,087.67
March	413,614.28	465,438.78	12.53%	51,824.50
Total	1,403,235.99	1,455,153.85	3.70%	51,917.86
City General Fund (75%)	1,052,426.99	1,091,365.39		38,938.40
BCCDC (25%)	350,809.00	363,788.46		12,979.47
	1,403,235.99	1,455,153.85		51,917.86

Public Utility Fund Overview

Revenue Highlights

- As a percentage of budget, total Water & Sewer Revenue is 50% being on target with budget expectations.

Expenditure Highlights

- Total expenditures for the Utility Fund sit nicely at 35% 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 2019 Budget	
Beginning Fund Balance	\$ 2,822,798	\$ 2,822,798			
REVENUES					
Charges for Services	7,594,000	3,718,766	3,875,234	49%	
Fines & Penalties	175,000	76,017	98,983	43%	
Miscellaneous	10,000	60,488	(50,488)	605%	
Total Revenues	7,779,000	3,855,271	3,923,730	50%	
EXPENDITURES					
Utility General	4,448,218	1,844,708	2,603,510	41%	
Utility Maintenance	1,920,076	568,854	1,351,222	30%	
Water & WWTP Division	2,400,206	620,457	1,779,749	26%	
Warehouse Operations	86,500	36,639	49,861	42%	
Total Expenditures	\$ 8,855,000	\$ 3,070,657	\$ 5,784,343	35%	
*YTD does not include encumbrances					
Net Revenue (Expenditures)	\$ (1,076,000)	\$ 784,613			
Ending Fund Balance	\$ 1,746,798	\$ 3,607,411			
% of Operating Reserves	24.34%	50.26%			
Target 90 days (25%)	1,794,419				
Over/(Under) Target	\$ (47,621)				

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 53%. Repairs and Maintenance represent 99% 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	50%				
	Total Budget	YTD Actual*	Over(Under) Budget to Date	% FY 2019 Budget	
Beginning Fund Balance	\$ 133,310	\$ 133,310			
REVENUES					
Charges for Services	-	300	(300)	0%	
Miscellaneous (Rentals, Grants)	156,000	100,754	55,246	65%	
Transfers (General Fund)	250,000	125,000	125,000	50%	
Other Revenue (Fuel Sales)	178,500	87,929	90,571	49%	
Total Revenues	\$ 584,500	\$ 313,983	\$ 270,517	54%	
EXPENDITURES					
Personnel	136,850	60,949	75,901	45%	
Supplies & Materials	154,000	99,059	54,941	64%	
Other Charges & Services	73,700	40,256	33,444	55%	
Repairs & Maintenance	124,900	124,092	808	99%	
Capital Expenditures	152,550	14,431	138,119	9%	
Total Expenditures	\$ 642,000	\$ 338,787	\$ 303,213	53%	
*YTD does not include encumbrances					
Net Revenue (Expenditures)	\$ (57,500)	\$ (24,804)			
Ending Fund Balance	\$ 75,810	\$ 108,506			
<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 50%, this is due the timing of hotel payments. Most hotels remit tax on a monthly or quarterly basis. (January-March receipts will not be remitted until April)
- Miscellaneous (Civic Center rental fees) are above budget.

Expenditure Highlights

- Total expenditures are below the budget target; however this is due to the timing various budgets within the Hotel / Motel Fund.
- Council Discretionary is at 68% due to timing of payment to the Museum.

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 2019 Budget
Beginning Fund Balance	\$ 419,255	\$ 419,255		
Revenues				
Hotel Occupancy Tax	\$ 800,000	\$ 219,690	\$ 580,310	27%
Miscellaneous	79,000	55,229	\$ 23,771	70%
Total Revenues	\$ 879,000	274,919	\$ 604,081	31%
Expenditures				
Council Discretionary	\$ 133,000	90,000	43,000	68%
Tourism Department	263,000	126,264	136,736	48%
Civic Center	311,000	126,648	184,352	41%
Bay City Theatre	172,000	14,804	157,196	9%
Total Expenditures	\$ 879,000	\$ 357,717	\$ 521,283	41%
*YTD does not include encumbrances				
Net Revenue (Expenditures)	\$ -	\$ (82,798)		
Ending Fund Balance	\$ 419,255	\$ 336,457		
<i>Proposed to maintain \$50,000</i>				

Departmental Highlights - Quarter Activity

Building Department

Residential



5 NEW RESIDENTIAL HOMES (1st & 2nd Qtr)

Value Added: \$1,046,308 Total Taxes= \$6,853

Commercial

BUSINESS 2

1st Qtr Value Added: \$16 million (FB Stadium 15M; Ace Hardware 750K) Total Taxes= \$4,912

2nd Qtr Value Added 4.1 million (McCoys 2.5M; Boat Storage 110K, Recycling Center 577K, Burger King 950K Total Taxes= \$23,318

	1st Quarter FY 18	1st Quarter FY19	FY 18 vs FY 19 YTD
Building Inspections	260	494	234
	2nd Quarter FY 18	2nd Quarter FY19	
Building Inspections	463	453	-10
Total	723	947	Increase by 224

Street and Bridge

Utility

	Jan-March 2018	Jan-March 2019		Jan-March 2018	Jan-March 2019
Concrete Pavement Repair	11	6	Water Leaks	69	98
Ditch Cleaning	27	28	Meter Leaks	74	50
Asphalt Pavement Repair	72	73	Sewer Repairs	368	258
Utility/Asphalt/Concrete Repair	27	36	Low Pressure Reads	8	47
Signs	22	24	Meter Swaps	170	269
Traffic Control Devices	9	8	Water/Sewer Taps	20	8

Police Statistics

	Jan-March 2018	Jan-March 2019
Calls for service	7,136	7,302
Arrests	204	221
Cases assigned to CID	719	449
Cases cleared by CID	479	613

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

HB2- would limit the ability of a city or county to levy the I & S tax to pay for non-voted debt—this would have an immediate impact on the roll back calculation

SB2- would move the roll back rate from 8% to a number between 2.5-3.5%; this would limit the ability for a City to raise revenue for basic service needs (municipal inflation); smaller cities would get some relief possibly depending on current revenue and/or size of city

Investment Report 2nd Quarter Fiscal Year 2019

The City has a weighted average portfolio of 1 day with an average book yield of 1.86%. 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 \$60,638 for the quarter and up \$24,681 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, in April 2019 the City will begin to build a laddered portfolio with some investment moving into 2-3 year maturities.

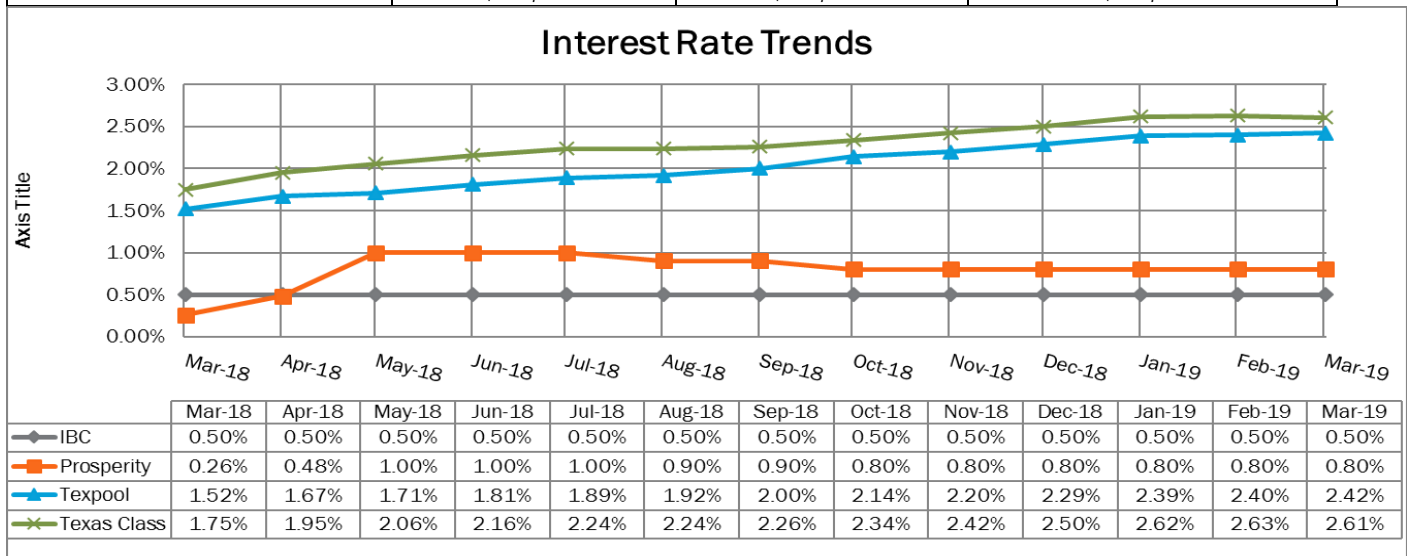
March 31, 2019 Balances

	Total Bal by Type	% of Portfolio
IBC	\$ 3,848,345.01	29%
Prosperity Bank	\$ 276,263.46	2%
Petty Cash/Cash Drawers	\$ 3,537.00	0%
Texpool	\$ 6,310,984.11	48%
Texas Class	\$ 2,835,703.71	21%
CD's	\$ -	0%
Securities	\$ -	0%
	\$ 13,274,833.29	100 %

Interest Earnings

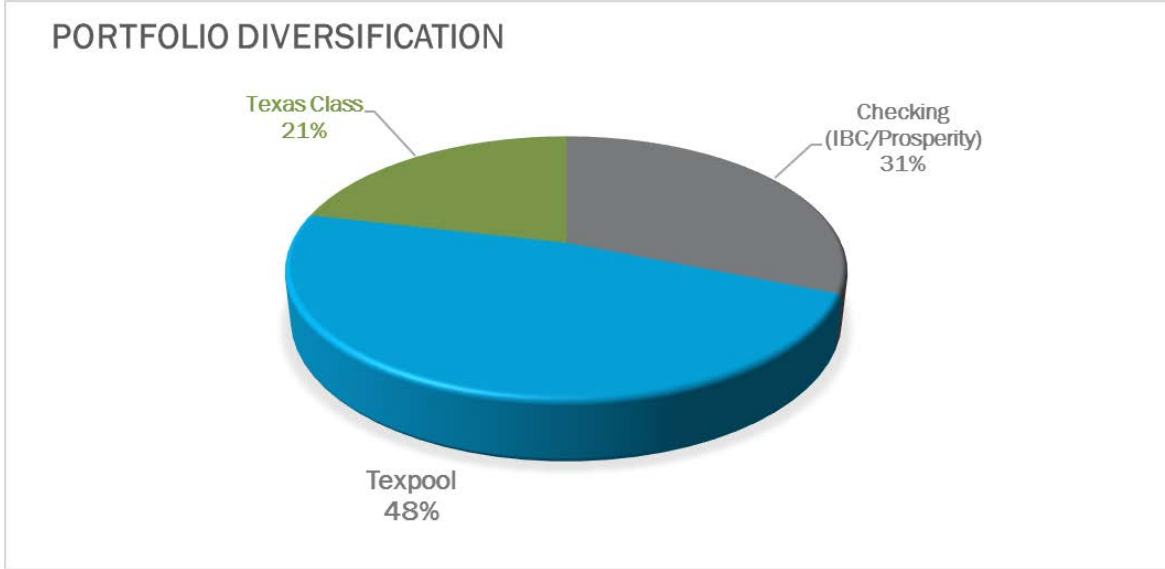
Interest received during the 2nd quarter totaled \$ 60,639 and represents interest paid on checking accounts and investments.

Portfolio	Qtr 03-31-18	Qtr 03-31-19	Over Prior Year
Interest Received	\$35,957	\$60,638	\$24,681



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	\$13,274,833	100%
1-2	\$ 0	0%
2-3	\$ 0	0%
Total	\$13,274,833	100%

 City of BAY CITY vs. Benchmarks for Quarter Ending March 31, 2019						
BOOK VALUE	MARKET VALUE	Unrealized Gain/<Loss>	Average Book Yield	Benchmark Pools	Benchmark 90 Day T-Bill	
\$ 13,274,833	\$ 13,274,833	-	1.86%	2.51%	2.37%	
Weighted Average						
Maturity	1.00 Day(s)		1.86%	Yield		