



CITY OF BAY CITY

FY 2019 3rd Quarter Financial Report

As of June 30, 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 **June 2019**, the ninth month, and **75.00%** 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 \$11,893,378 or 79.1% of the budget.

- Property Tax. The certified value totaled \$857 million. Through June, the City received \$4,326,339 or (97%) of the 4.4-million-dollar property tax maintenance and operation budget. Most property taxes were received by January to avoid penalties.
- Sales tax. Third Quarter Sales Tax Allocation to the City is **up** 2.4% (\$34,386) as compared to the third quarter in prior year. Sales tax is anticipated to exceed budget expectations.
- Franchise fees are slightly under budget due to timing of payments. 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 \$12,000.
- Charges for services represents sanitation fees - \$1,832,982 (75% 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 10,285,385 or 70.8% of budget.

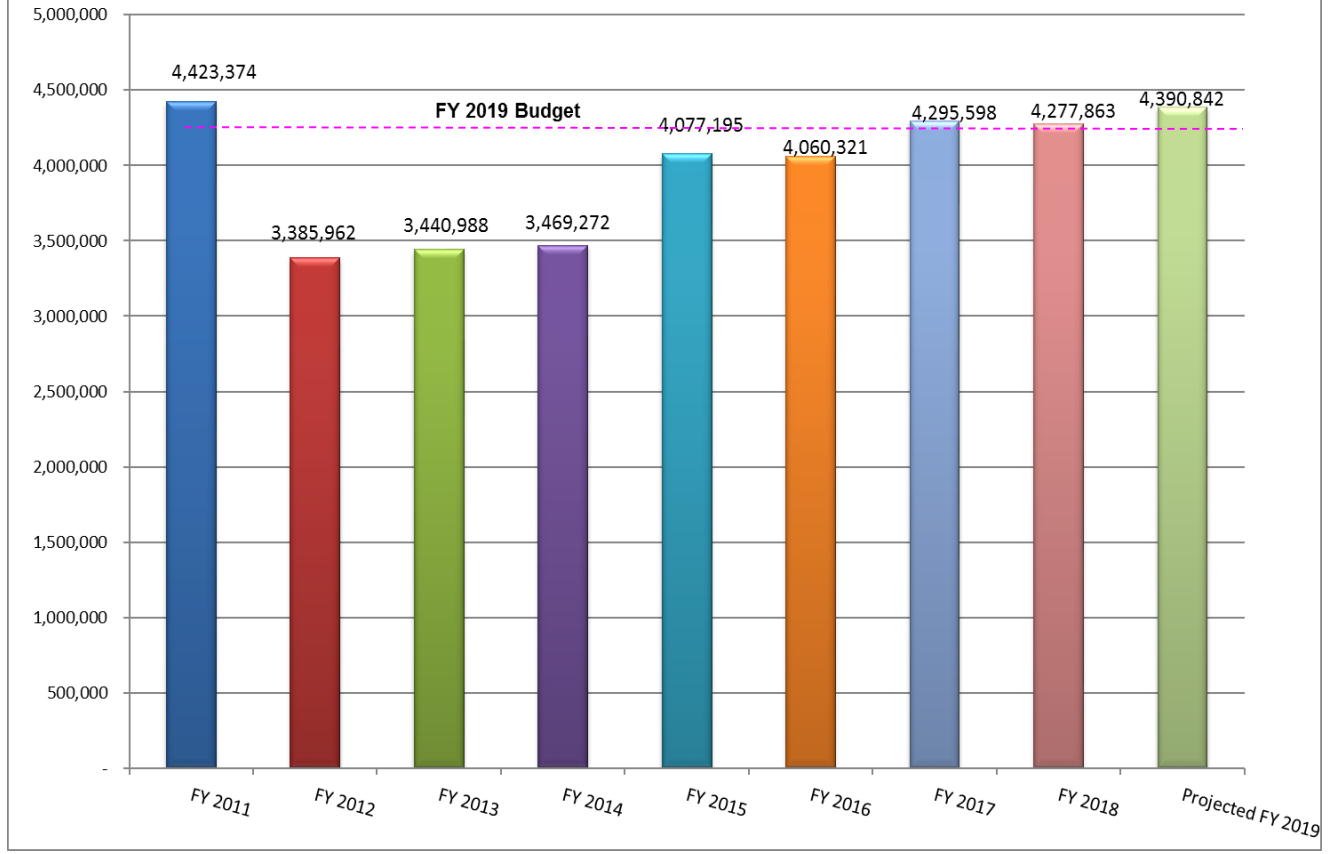
- Most departments are under the 75% budget target. Budgets that are over the budget target are primarily due to timing of payments.
 - City Secretary- Election costs (Amendment)
 - City General- Legal Costs (litigation) & Liability Insurance (Amendment)
 - Recycling Center- Increased cost for new recycling center project (Amendment)

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	75%				
	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	4,326,339	133,345	97.0%	
Sales Tax	4,275,000	3,293,074	981,926	77.0%	
Other Local Taxes (Franchise)	1,312,500	938,685	373,815	71.5%	
Charges for Services (Sanitation)	2,443,000	1,832,982	610,018	75.0%	
Fines & Penalties	203,000	140,653	62,347	69.3%	
Licenses & Permits	180,500	204,561	(24,061)	113.3%	
Miscellaneous	1,415,516	594,608	820,908	42.0%	
Transfers	741,800	562,476	179,324	75.8%	
Total Revenues	\$ 15,031,000	\$ 11,893,378	\$ 3,137,622	79.1%	
EXPENDITURES					
City Secretary	148,949	124,058	24,891	83.3%	
City General Services	2,708,449	2,093,022	615,427	77.3%	
Administrative Council	207,580	151,019	56,561	72.8%	
Main Street	55,800	38,808	16,992	69.5%	
Human Resources	246,623	181,963	64,660	73.8%	
Municipal Court	318,522	221,056	97,466	69.4%	
Finance	322,582	241,426	81,156	74.8%	
Police	4,463,977	3,240,874	1,223,103	72.6%	
Animal Impoundment	165,482	110,949	54,533	67.0%	
Fire Department	194,391	147,015	47,376	75.6%	
Street and Bridgne	3,230,327	1,864,589	1,365,738	57.7%	
Recycling Center	394,505	625,145	(230,640)	158.5%	
Parks	1,015,961	566,933	449,028	55.8%	
Riverside Park	273,517	160,265	113,252	58.6%	
Recreation	94,186	82,417	11,769	87.5%	
Pool Operations	266,681	124,601	142,080	46.7%	
Library	423,468	311,244	112,224	73.5%	
Total Expenditures	\$ 14,531,000	\$ 10,285,385	\$ 4,245,615	70.8%	
*YTD does not includes encumbrances					
Net Revenue (Expenditures)	\$ 500,000	\$ 1,607,993			
Ending Fund Balance	\$ 2,718,367	\$ 3,826,360			
% of Operating Reserves	19.78%	27.84%			
Fund Balance Target 90 days (25%)	\$ 3,435,795				
Over/(Under) min Policy Level (25%)	\$ (717,428)	\$ 390,566			

SALES TAX YEARLY COMPARISON



	<i>3rd Quarter</i>		% Change from Prior Year	Variance
	Fiscal Year 2018	Fiscal Year 2019		
April	440,009.75	401,835.17	-8.68%	(38,174.58)
May	529,851.32	565,251.54	6.68%	35,400.22
June	450,934.30	488,094.60	8.24%	37,160.30
Total	1,420,795.37	1,455,181.31	2.42%	34,385.94
City General Fund (75%)	1,065,596.53	1,091,385.98		25,789.46
BCCDC (25%)	355,198.84	363,795.33		8,596.49
	1,420,795.37	1,455,181.31		34,385.94

Public Utility Fund Overview

Revenue Highlights

- As a percentage of budget, total Water & Sewer Revenue is 76% being on target with budget expectations.
- Miscellaneous is over budget primarily due to interest income, insurance claims, and auction proceeds.

Expenditure Highlights

- Total expenditures for the Utility Fund sit nicely at 51% of budget.
- All departments are within budget expectations.

PUBLIC UTILITY FUND FINANCIAL SUMMARY

Utility Fund (Fund 61)				
Percent of Fiscal Year Complete	75%			
	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	5,687,472	1,906,528	75%
Fines & Penalties	175,000	112,687	62,313	64%
Miscellaneous	10,000	74,356	(64,356)	744%
Total Revenues	7,779,000	5,874,515	1,904,485	76%
EXPENDITURES				
Utility General	4,448,218	2,902,571	1,545,647	65%
Utility Maintenance	1,920,076	607,982	1,312,094	32%
Water & WWTP Division	2,400,206	971,607	1,428,599	40%
Warehouse Operations	86,500	55,871	30,629	65%
Total Expenditures	\$ 8,855,000	\$ 4,538,031	\$ 4,316,969	51%
*YTD does not include encumbrances				
Net Revenue (Expenditures)	\$ (1,076,000)	\$ 1,336,484		
Ending Fund Balance	\$ 1,746,798	\$ 4,159,282		
% of Operating Reserves	24.34%	57.95%		
Target 90 days (25%)	1,794,419			
Over/(Under) Target	\$ (47,621)			

Airport Fund Overview

Revenue Highlights

- As a percentage of budget, Airport Revenue is above budget expectations (83%), however core revenues (T-Hanger Rentals) are below budget target due to fewer leases.
- Miscellaneous Revenue will be above budget target due to timing of TXDOT RAMP Grant payments.
- 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 96%. Repairs and Maintenance is over budget due to the relocation of the fuel system project. Some of this cost will be offset by the RAMP Grant.

AIRPORT FUND FINANCIAL SUMMARY

Municipal Airport Fund (Fund 64)					
Percent of Fiscal Year Complete	75%				
	Total Budget	YTD Actual*	Over(Under) Budget to Date	% FY 2019 Budget	
Beginning Fund Balance	\$ 133,310	\$ 133,310			
REVENUES					
Charges for Services	-	350	(350)	0%	
Miscellaneous (Rentals, Grants)	156,000	161,109	(5,109)	103%	
Transfers (General Fund)	250,000	187,500	62,500	75%	
Other Revenue (Fuel Sales)	178,500	135,493	43,007	76%	
Total Revenues	\$ 584,500	\$ 484,452	\$ 100,048	83%	
EXPENDITURES					
Personnel	136,850	107,680	29,170	79%	
Supplies & Materials	154,000	141,541	12,459	92%	
Other Charges & Services	73,700	59,382	14,318	81%	
Repairs & Maintenance	124,900	196,548	(71,648)	157%	
Capital Expenditures	152,550	113,439	39,111	74%	
Total Expenditures	\$ 642,000	\$ 618,590	\$ 23,410	96%	
*YTD does not include encumbrances					
Net Revenue (Expenditures)	\$ (57,500)	\$ (134,139)			
Ending Fund Balance	\$ 75,810	\$ (829)			
<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 75%, this is due the timing of hotel payments. Most hotels remit tax on a monthly or quarterly basis. (April-June receipts will not be remitted until July)
- 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 or projects within the Hotel / Motel Fund.

HOTEL/MOTEL FUND FINANCIAL SUMMARY

Civic & Cultural Arts Fund (Fund 25)				
Percent of Fiscal Year Complete		75%		
	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	\$ 399,421	\$ 400,579	50%
Miscellaneous	79,000	83,064	\$ (4,064)	105%
Total Revenues	\$ 879,000	482,484	\$ 396,516	55%
Expenditures				
Hotel General	\$ 133,000	102,000	31,000	77%
Tourism Department	263,000	167,092	95,908	64%
Civic Center	311,000	189,637	121,363	61%
Bay City Theatre	172,000	37,083	134,917	22%
Total Expenditures	\$ 879,000	\$ 495,813	\$ 383,187	56%
*YTD does not include encumbrances				
Net Revenue (Expenditures)	\$ -	\$ (13,328)		
Ending Fund Balance	\$ 419,255	\$ 405,927		
<i>Proposed to maintain \$50,000</i>				

Departmental Highlights - Quarter Activity

Building Department

Residential



11 NEW RESIDENTIAL HOMES (1st 2nd, & 3rd Qtr)

Value Added: \$2,058,896 Total Taxes= \$13,486

Commercial

BUSINESS 7

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

3rd Qtr Value Added 1.6 million (Restaurant 125K; Apartment Bldngs 1.5M Total Taxes= \$10,644

	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
	3rd Quarter FY 18	3rd Quarter FY19	
Building Inspections	497	341	-156
Total	1,220	1,288	Increase by 68

Street and Bridge

Utility

	April-June 2018	April-June 2019		April-June 2018	April-June 2019
Concrete Pavement Repair	7	10	Water Leaks	74	100
Ditch Cleaning	43	34	Meter Leaks	46	43
Asphalt Pavement Repair	83	59	Sewer Repairs	193	189
Utility/Asphalt/Concrete Repair	17	20	Low Pressure Reads	22	17
Signs	27	27	Meter Swaps	448	131
Traffic Control Devices	11	27	Water/Sewer Taps	26	11

- Departmental Highlights - Quarter Activity (continued)

Equipment Maintenance Fund

	April-June 2019
Vehicles Repairs in Shop	175

Police Statistics

	April-June 2018	April-June 2019
Calls for service	4,928	5,945
Arrests	256	190
Cases assigned to CID	741	474
Cases cleared by CID	479	557

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.
Capital Projects coming in much higher than anticipated (Recycling Center)

Proprietary Funds

Public Utility Fund

Continuous Emergency Repairs
Capital Projects coming in much higher than anticipated (Cottonwood Lift Station)

Airport

None

Monitoring:

Sales Tax

Investment Report 3rd Quarter Fiscal Year 2019

The City has a weighted average portfolio of 1 day with an average book yield of 2.05%. The City is liquid with 91% of the portfolio in a 0-1-year maturity. Average interest rates have remained relatively flat since prior quarter. All short-term investments average over 2%. Investment earnings are \$55,784 for the quarter and up \$4,869 as compared to the same quarter last year. The investment strategy currently is to stay short with diversification (Checking Investment Pools, and Securities less than 3 years to maturity) to minimize interest rate risk in the future.

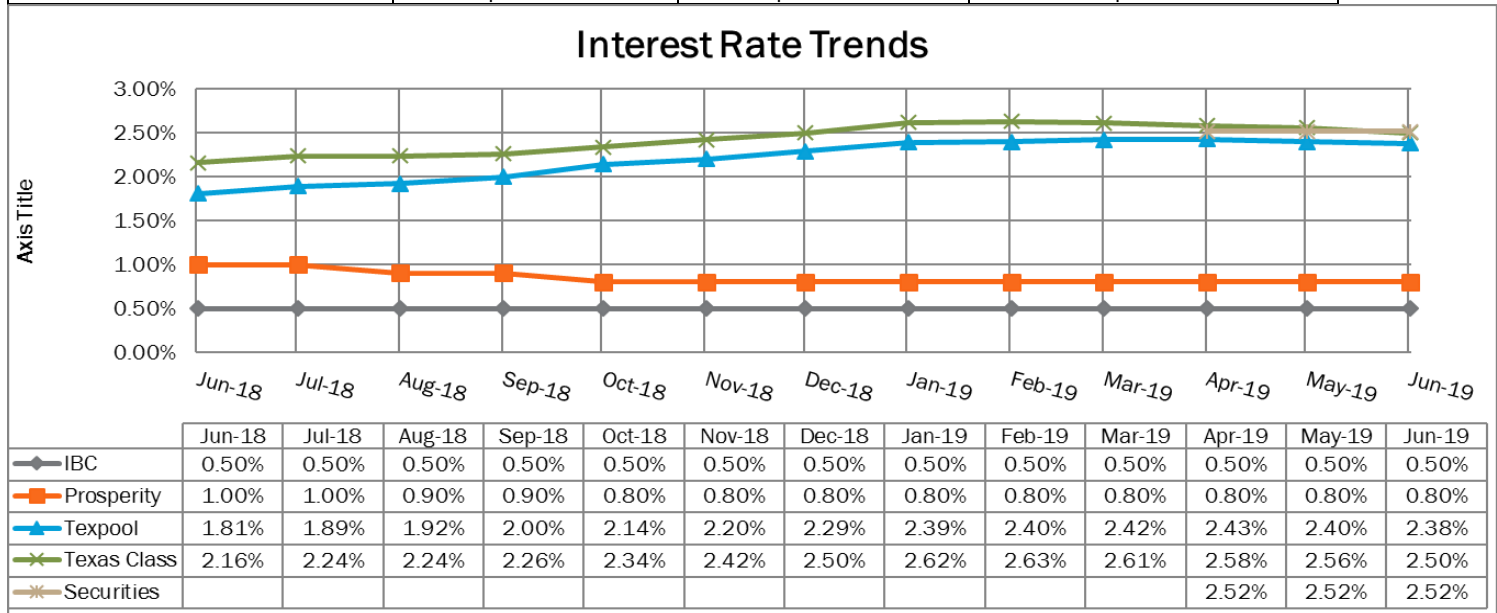
June 30, 2019 Balances

	Total Bal by Type	% of Portfolio
IBC	\$ 2,230,220.10	19%
Prosperity Bank	\$ 282,948.23	2%
Petty Cash/Cash Drawers	\$ 3,612.00	0%
Texpool	\$ 5,343,499.75	46%
Texas Class	\$ 2,853,775.84	24%
CD's	\$ -	0%
Securities	\$ 995,000.00	9%
	\$ 11,709,055.92	100 %

Interest Earnings

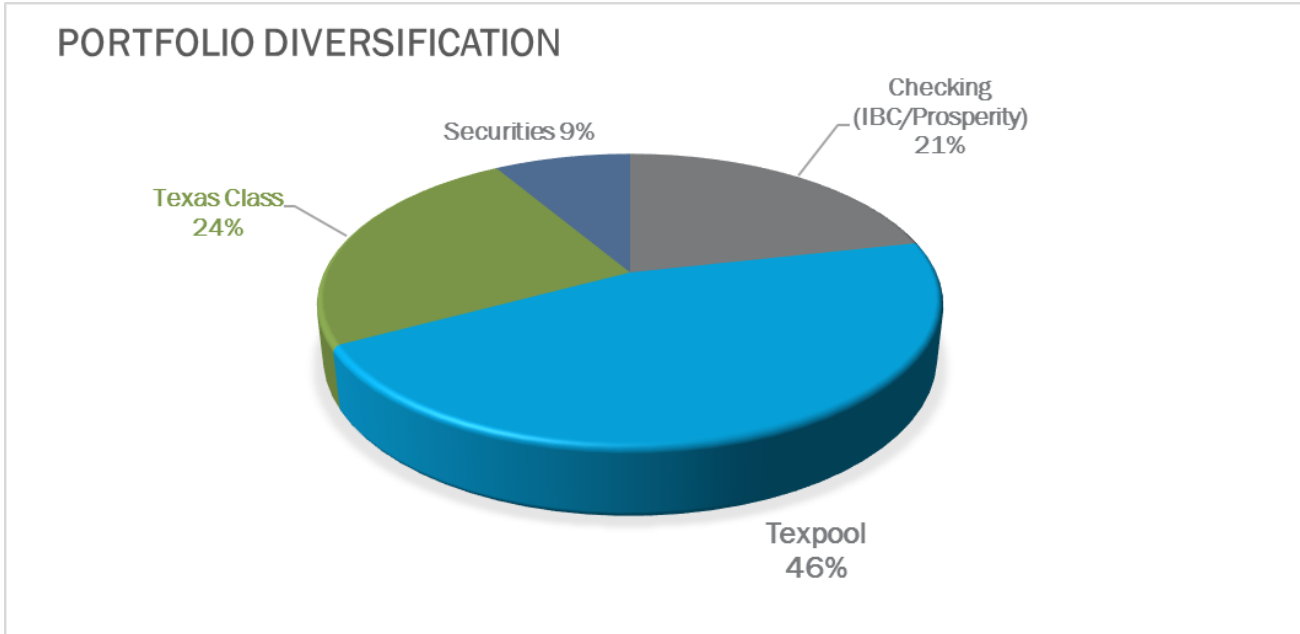
Interest received during the 3rd quarter totaled \$ 60,639 and represents interest paid on checking accounts and investments.

Portfolio	Qtr 06-30-18	Qtr 06-30-19	Over Prior Year
Interest Received	\$50,915	\$55,784	\$4,869



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	\$10,714,056	91%
1-2	\$ 0	0%
2-3	\$ 995,000	9%
Total	\$11,709,056	100%

	City of BAY CITY vs. Benchmarks for Quarter Ending June 30, 2019					
	BOOK VALUE	MARKET VALUE	Unrealized Gain/<Loss>	Average Book Yield	Benchmark Pools	Benchmark 90 Day T-Bill
	\$ 11,709,056	\$ 11,709,701	645.00	2.05%	2.48%	2.26%
	Weighted Average					
	Maturity	72.35 Day(s)		2.05% Yield		