

MEMORANDUM

To: Finance Committee
From: Finance Director Jamie Rouch
Date: May 14, 2013
Re: FY2013 First quarter Management Discussion and Analysis (MD&A)

Financial Condition:

The recent sales tax reports are encouraging; however, we will still remain cautious looking forward into FY2013. Revenues for **all governmental** funds finished 25.8% of the annual budgeted revenues. Expenditures for **all governmental** funds finished the first quarter at 14.5% of annual budgeted expenditures. Revenues for **all proprietary** funds finished 15% of the annual budgeted revenues. Expenditures for **all proprietary** funds finished the first quarter at 19.5% of annual budgeted expenditures. Below are some fluctuations in both revenues and expenditures that are worth discussion.

GOVERNMENTAL FUNDS

General Fund

General Fund Revenues:

General Fund Taxes and Franchise Fees represents 82% of the City's total general fund budgeted revenues. Sales tax, property tax, electric franchise fees, natural gas and cable franchise fees make up most of this category. However, 60% of the City's total general fund revenues are generated from the 1% sales tax. Because of the size of sales tax revenues and because of the weak economy, it is very important that sales tax revenues be analyzed closely. Sales taxes are received in a cyclical manner rather than received evenly throughout the year. Certain months are traditionally high while others are low. This can limit the usefulness of comparing actual revenues received each month to the budgeted amount. Often, comparisons to the previous year are a better barometer of where sales tax receipts are for the year.

General fund sales tax receipts for the first quarter of FY2013 are \$29,117 greater than the first quarter of FY2012, and \$26,215 greater than FY2011. This is an increase of 1.2% from FY2012 and 1.1% increase from FY2011. A 2% increase in sales tax revenues was budgeted in FY2013 so we are trending below budget for the first quarter.

Property Taxes are the second largest component of the taxes and franchise fees. Property taxes represent 16.3% of the City's total general fund budgeted revenues. Property taxes for the first quarter are 82% of budget and an actual increase of \$126,030 over the first quarter of FY2012. The majority of the property taxes usually come in January and February.

Franchise Fees make up a smaller portion of the overall budgeted revenue. The electric fees come in monthly, the natural gas fees come in quarterly and the cable fees only come in once a year (February). The electric fees were down 4.9% from FY2012 and down 9.4% from FY2011.

License and Permits are 3.4% of budgeted revenues. The actual receipts received for FY2013 are \$6,661 greater than the receipts for FY2012 and \$56,628 greater than FY2011. The increase in FY2013 is related to the timing of the renewals. Business licenses make up a big portion of this category. As of the end of the first quarter for FY2013, approximately 25% of all business licenses were renewed with 15 of those being new licenses. Keep in mind that a change in ownership also creates a new license.

Court Fines and Fees are budgeted at 2.4% of the total budgeted general fund revenue. For the first quarter of FY2013, the actual receipts are 19.8% of the budgeted amount, which are a decrease of \$1,664 from FY2012 and a decrease of \$29,896 from FY2011. This is due to the number of court cases filed being down in comparison to previous years. For this reason the City of Branson should not be dependent on Court receipts as a stable revenue source.

Lease and Rents make up 6.3% of the overall general fund revenue. The majority of this is West 76 Property lease revenue and is calculated as a percentage of business sales. Due to some businesses opening later than usual, sales for first quarter FY2013 are down 96% compared to FY2012 and up 95% compared to FY2011.

Charges for Services is budgeted at 4.7% of the total budgeted revenues. The Administrative fees for administering other funds such as tourism, water & sewer, streets and Branson Hills make up this category. The revenue received for FY2013 is at 26.5% of the budgeted amount, which is slightly up from last year at this time.

General Fund Expenditures:

According to the expected budget amount, the departments should be around 25% of the budget for the first quarter of FY2013. Overall, the departments are at 24.5%. Some of these expenditures are cyclical, so comparing actual to previous years is usually the best indicator of the status. Although the expenditures have increased from the first quarter of FY2012, they are still on track with the expected budgeted amount.

Tourism Sales Tax Fund

Tourism Sales Tax Revenue:

Tourism Sales Tax represents 21% of all governmental budgeted revenues in FY2013. Tourism sales tax receipts for the first quarter are down \$21,488 from FY2012 which is a 1.8% decrease.

Tourism Sales Tax Expenditures:

Marketing Expenditures make up 25% of the 98% of the revenue earned in that fiscal year from tourism revenue. Expenditures are turned in from the CVB and Branson Convention Center at various times throughout the year; therefore, using the expected budgeted percentage for these expenditures is not an accurate way to determine the status of this line item. Expenditures are currently \$142,763 less than FY2012 due to the timing of when the invoices have been received.

Transportation Sales Tax Fund

Transportation Sales Tax Revenue:

1/2 Cent Transportation Sales Tax represents 10% of the City's total budgeted governmental revenues. Transportation sales tax receipts for the first quarter are at \$1,183,552, which is a 1.3% increase from FY2012.

Transportation Sales Tax Expenditures:

Public Works Expenditures are currently at 14.3% of the budget. The expenditures are up \$139,653 from the same time period in FY2012.

Debt Service Fund

Debt Service Fund Revenue:

Taxes and Franchise Fees in total for all of the debt service funds (160,161,165,170,171) are up \$109,687 from the first quarter FY2012.

Debt Service Fund Expenditures:

Debt Service Payments are currently on track with our debt schedules and what was budgeted. Payments are semi-annual.

Capital Projects Fund

Capital Projects Revenue:

The revenue for this fund is special designated revenue that will either come in as a transfer from the tourism, transportation, or general fund for specific capital projects or from special grants received for capital. These transfers will be done on a semi-annual basis and based on YTD expenditures.

Capital Projects Expenditures:

The expenditures for this fund make up expenses from the capital projects. As of the first quarter, expenditures were \$487,577 or 10.7% of budget. Many of the projects are seasonal, and we expect to see this increase over the next few quarters.

Convention Center Fund

Convention Center Revenue:

The Convention Center revenues came in at 12.6% of the budgeted amount, which is below the expectations of 25% for the first quarter. We expect to see these revenues increase throughout the next couple of months.

Convention Center Expenditures:

The Convention Center expenditures were 17.5% of the expected budget amount of 25%. Total expenditures reflect a difference of \$4,875 in comparison to the first quarter FY2012. Again, these expenditures are cyclical, so comparing actual to previous years is usually the best indicator of the status.

Parks & Recreation Fund

Parks & Recreation Fund Revenues:

Total revenues are at 14.4% of the budgeted amount. This is an increase of 1.7% from FY2012 and an increase of 7% from FY2011.

Parks & Recreation Fund Expenditures:

Overall expenditures are at 21.4% of the budgeted amount, which is an increase of \$41,393 from FY2012. This increase is due to necessary capital expenditures being purchased in the first quarter of FY2013.

PROPRIETARY FUNDS

Water & Sewer Fund

Water & Sewer Fund Revenues:

Water Revenues are at 14.6% of budget, which is up from FY2012 by \$46,051. This increase is partially due to the meter change outs as well as the rate increase that went into effect on January 1, 2013.

Sewer Revenues are at 16.9% of budget, which is up from FY2012 by \$39,341.

Water & Sewer Fund Expenditures:

Expenditures are at 22.2% of budget and \$215,440 more than FY2012. A large portion of the increase is related to depreciation with the completion and capitalization of Lift Station 30 and Compton Wastewater Treatment facility upgrades.

Overall Summary

Overall, the financial situation for the City of Branson for the first quarter of FY2013 is lower than the budgeted expectations. This is due to FY2012 fund balance ending less than projected as a result of a decrease in sales taxes and unanticipated legal fees. The City budgeted a 2% growth in sales tax revenues for FY2013, and we are currently at a 1.2% growth. While these are some challenging factors, we will continue to closely analyze our budget on a monthly basis in order to make the best financial decisions for the City of Branson.