

MEMORANDUM

To: Finance Committee
From: Finance Director Jamie Rouch
Date: July 16, 2013
Re: FY2013 2nd Quarter Management Discussion and Analysis (MD&A)

Financial Condition:

The recent sales tax reports are still very encouraging; however, we still remain cautious looking forward into FY2013. Revenues for **all governmental** funds finished 46% of the annual budgeted revenues. At this time in FY2012, revenues were at 44.7% of budget. Expenditures for **all governmental** funds finished the second quarter at 45.3% of annual budgeted expenditures, last year at this time we ended the second quarter at 39.7% of budget. Revenues for **all proprietary** funds finished 38.2% of the annual budgeted revenues, last year at this time revenue were 38.8% of budget. Expenditures for **all proprietary** funds finished the second quarter at 38.8% of annual budgeted expenditures. In FY2012 the second quarter ended at 44% of 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 81% 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, 58% 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 second quarter of FY2013 are \$164,348 greater than the second quarter of FY2012, and \$271,949 greater than FY2011. This is an increase of 3.9% from FY2012 and 7% increase from FY2011. A 2% increase in sales tax revenues was budgeted in FY2013 so we are trending above budget for the second quarter, however we also need to consider the effect the Leap Day tornado in FY2012 has on this.

Property Taxes are the second largest component of the taxes and franchise fees. Property taxes represent 16.5% of the City's total general fund budgeted revenues. Property taxes for the second quarter are 83% of budget and an actual increase of \$39,858 over the second 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 up 2.1% from FY2012 and stayed flat to FY2011.

License and Permits are 3.4% of budgeted revenues. The actual receipts received as of the second quarter for FY2013 are \$14,077 greater than the receipts for FY2012 and \$97,049 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 second quarter for FY2013, approximately 93% of all business licenses were renewed with 164 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 second quarter of FY2013, the actual receipts are 42.5% of the budgeted amount, which are a decrease of \$12,097 from FY2012 and a decrease of \$43,862 from FY2011. Further analysis is recommended.

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 second quarter FY2013 are down 29% or \$77,267 compared to FY2012 and down 47% or \$126,929 compared to FY2011. Keep in mind when comparing to FY2011, the Red Roof Mall lease payments were included.

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 53.7% 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 50% of the budget for the second quarter of FY2013. Overall, the departments are at 50.4%. For the second quarter of FY2012, expenditures were at 50.1%. Some of these expenditures are cyclical, so comparing actual to previous years is usually the best indicator of the status. Although the expenditures appear comparable to the second quarter of FY2012, we received additional legal invoices that will surpass the annual legal budget as of July.

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 second quarter are up \$185,847 from FY2012 which is a 5.6% increase.

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 \$113,660 more than FY2012 due to the timing of when the invoices are 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 second quarter are at \$2,179,983, which is a 3.6% increase from FY2012.

Transportation Sales Tax Expenditures:

Public Works Expenditures are currently at 32.7% of the budget. The expenditures are up \$212,161 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 \$141,498 from the second 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 second quarter, expenditures were \$2,061,423 or 45.4% of budget. Many of the projects are seasonal, which will reflect an increase in the next two quarters.

Convention Center Fund

Convention Center Revenue:

The Convention Center revenues came in at 41.1% of the budgeted amount, which is below the expectations of 50% for the second quarter. However, we expect to see these revenues increase throughout the next few months.

Convention Center Expenditures:

The Convention Center expenditures are also at 41.1% of the expected budget amount of 50%. Total expenditures reflect an increase of \$322,513 in comparison to the second quarter FY2012. Again, these expenditures are cyclical, so comparing actual to previous years is usually the best indicator of the status. However, due to the Leap Day tornado in FY2012 the Convention Center sustained heavy damage, so this isn't an appropriate comparison to use. In comparing FY2013 to FY2011 expenditures have decreased by \$142,291.

Parks & Recreation Fund

Parks & Recreation Fund Revenues:

Total revenues are at 52.6% of the budgeted amount. This is an increase of 17.6% from FY2012 and an increase of 16.4% from FY2011.

Parks & Recreation Fund Expenditures:

Overall expenditures are at 47% of the budgeted amount, which is an increase of \$43,616 from FY2012. This increase is due to necessary capital expenditures being purchased in FY2013.

PROPRIETARY FUNDS

Water & Sewer Fund

Water & Sewer Fund Revenues:

Water Revenues are at 38.2% of budget, which is down from FY2012 by \$34,586. This decrease is a result of decreased consumption through the second quarter of FY2013.

Sewer Revenues are at 40.5% of budget, which is down from FY2012 by \$2,619.

Water & Sewer Fund Expenditures:

Expenditures are at 46.1% of budget and \$385,349 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 second quarter of FY2013 is concerning. The ending fund balance in FY2012 was lower than projected as a result of a decrease in sales tax along with unanticipated legal fees. While we continue to see increased sales tax numbers, we are also seeing an increase in unbudgeted expenditures. The City budgeted a 2% growth in sales tax revenues for FY2013, and we are currently at a 3.9% growth. While this is very encouraging, we still continue to receive legal expenses that are simply out of our control. 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.