

City of Bowling Green, Kentucky
Monthly Financial Memorandum
March 2008

RESOURCES IN:

The Treasury Division reports the following revenue collection information:

GENERAL FUND

Operating revenue through March

<u>FY07-YTD</u>	<u>FY08-YTD</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
\$37,063,000	\$36,826,000	(\$237,000)	- 0.6%

General Fund operating receipts totaled \$3,418,000 for the month, which brings the fiscal year total to \$36,826,000 down \$237,000 (-0.6%) over last year. Last month's report showed a decrease of 1.5%. The FY08 budget for General Fund operating revenue is \$54,748,000, which represents a 5.2% increase from actual revenues in FY07. Details of the major revenue categories are listed below:

Property tax receipts total \$9,693,000 for the year, which is up \$679,000 (+7.5%) compared to last year. Revenues in this category include taxes on real property, personal property, franchise property, and motor vehicles & boats. Our original property tax revenue budget is \$9,735,000, representing an increase of 2.4% over last year's actual revenues.

Insurance premium taxes are paid on a quarterly basis, with \$14,000 in receipts processed this month, which brings the fiscal year total to \$1,043,000 which is up \$31,000 (+3.1%) from last year. Last month's report showed a 1.1% increase over last year. The budget for this revenue source is \$1,485,000, which is a projected 5.6% over actual FY07 General Fund insurance premium taxes.

Net profit fees total \$1,024,000, down \$463,000 (-31.1%) from last year, compared to -44.2% last month. FY07 was a year in which we set a new high for net profit fees, collecting just over \$5,000,000. This year's budget has been set at \$5,780,000, which is a projected 14.6% increase over last year's actual revenues.

Employee withholding fees collected this month total \$1,961,000 and now total \$17,161,000, up \$888,000 (+5.5%) over last year. As of last month, we were up 3.5% from last year. The budget for this, the single most important revenue source to the City, is \$23,884,000, which represents a projected 10.1% increase over FY07 actual revenues in this category.

So far, ten of the eleven Standard Industry Code (SIC) groups of businesses posted increases in payroll, which includes our largest employee group - Services (+8.2%), our second largest group Manufacturing (+7.8%) and our third largest group - Retail (+10.8%). The group posting a decline is Mining (-1.3%).

Service enhancement fee collections totaled \$565,000 this month, bringing the fiscal year total to \$4,599,000, down \$1,139,000 (-19.9%) over last year. Last month's report showed a 22.7% decrease over last year. This revenue category was originally the .5% increase of the 1.5% occupational tax rate in 2003 in order to enhance the level of services that is being provided to our taxpayers. However, a new occupational tax rate of 1.85% was effective January 1, 2007, resulting in this revenue category being equal to .35% of the 1.85%. Our budget estimate for this revenue source is \$9,019,500, which is a projected increase of 10.0% from last year's actual revenue. This figure is the projected net effect of the rate reduction on net profits along with estimated growth.

Building fees received this month were \$35,000, and total \$384,000 up \$30,000 (+8.5%) compared to +11.5% from last

month's report . The budget for this revenue source is \$710,000, which is the same as FY07 and is an increase of 25.9% over last year's actual revenue.

Cemetery operation receipts for the month were \$20,000, bringing the year to date total to \$173,000 up \$23,000 (+15.3%) compared to last year. Last month's report reflected a 14.2% increase from last year. Our budget estimate is \$235,000, representing an expected 13.0% growth over FY07 actual revenues.

Parks & Recreation receipts this month were \$43,000 and now total \$282,000 for the year, up \$40,000 (+16.5%) from last year, compared to +12.2% as of last month. The budget for Parks receipts is \$355,000, a projected increase of 9.6% from last year's actual, which is due to the anticipated completion of the Community Center construction project.

Interest Earnings total \$519,000 for the year, which is up \$36,000 (+7.5%) from last year. Last year was probably a record high for interest earnings in which we earned over \$1.1 million. We have projected \$710,000 for the FY08 budget due to the plans of spending reserves and the decline in earnings from the interest rate swap agreements.

LIQUID FUEL TAX FUND

Liquid Fuel Tax State Grant receipts received this month were \$65,000, which brings the year-to-date total to \$677,000, up \$107,000 (+18.8%) from last year, compared to +17.9% on last month's report. This is the major source of revenue for funding the City's annual street overlay and maintenance and is anticipated to bring in \$800,000 this year.

FIRE IMPROVEMENT FUND

Insurance premium taxes are collected on a quarterly basis with \$14,000 in receipts being processed this month, which brings the total for the year to \$1,307,000 up \$16,000 (+1.2%) over last year compared to +0.5% on last month's report. This is the major source of revenue to the Fire Improvement Fund, and is anticipated to produce \$1,768,000 this year.

RESOURCES OUT:

Wilma Brown, Comptroller, reports the following expenditure information:

GENERAL FUND:

Operating expenditures through March

<u>FY07YTD</u>	<u>FY08YTD</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
\$35,663,000	\$37,684,000	\$2,020,000	+5.7%

General Fund operating expenditures totaled \$3,372,000 for the month of March; bringing the fiscal year total to \$37,684,000, which is up \$2,020,000 (+5.7%) from last year, compared to an increase of \$885,000 (+2.7%) reported last month. The FY08 adjusted budget for General Fund operating expenditures is \$61,821,000; of which 61% has been utilized through the current month. Details for the major expenditure categories are listed below.

Personnel service costs totaled \$2,162,000 for the month, bringing the fiscal year total to \$20,771,000, up \$965,000 (+4.9%) over last year, and compared to an increase of \$853,000 (+4.8%) report through last month. The budget for personnel costs is \$31,019,000, and through this month, 67% has been consumed.

Full-time and part-time wages total \$11,554,000 for this fiscal year, which is up \$675,000 (+13.9%) from last year. Overtime costs total \$1,641,000 for the fiscal year, up \$76,000 (+4.9%) over last year and compared to an increase of \$51,000 (+3.6%) reported last month. Recall time through the month of March totaled \$248,000, up \$82,000 (+49.3%) from last year and compared to an increase of \$78,000 (+49%) on last month's report.

Other fringe benefits, including Health Insurance, FICA, Medicare and Retirement total \$7,329,000 for the fiscal year, up \$132,000 (+2.4%) over last year, compared to an increase of \$169,000 (+2.6%) reported last month. FY08 as a whole will see another increase in fringe benefits due to rising insurance premiums and employer contributions to the Kentucky Retirement System.

Contractual service costs for the month totaled \$485,000; the total for the fiscal year is \$6,477,000, up \$73,000 (+1.2%) over last year. Through last month, this cost category was up \$110,000 (+1.9%) over the prior fiscal year. The adjusted budget for this expenditure is \$12,181,000, of which 53.2% has currently been expended.

Supplies totaled \$187,000 for the month, bringing the fiscal year total to \$1,619,000, which represents an increase of \$242,000 (+17.6%) from last year. Last month's report reflected an increase of \$203,000 or +16.5% compared to the previous year. The adjusted budget for this cost is \$2,529,000 and through March, 64% has been utilized.

Subsidies and assistance totaled \$839,000 for the month, which contributes to a fiscal year total of \$3,956,000, up \$436,000 (+12.4%) from last fiscal year. A decrease of \$249,000 (-7.4%) was reported through last month. The amount budgeted for this cost category is \$4,659,000; thus far, 85% of this budget has been consumed.

Property and fixed assets totaled \$113,000 this month, bringing the fiscal year total to \$1,438,000, up \$982,000 (+215%) over last year and compared to an increase of \$979,000 (+283%) reported last month. Purchases in this category include an updated mail machine for the City Hall Annex, a cooling system for City Hall, bleachers for Carr Gymnasium, Disaster Recovery Equipment, and the recent acquisition of 707 E Main, which accounts for the notable increase over last year. The budget for this expenditure is set at \$1,784,000; at present, 81% of that total has been expended.

Fund transfers totaled \$618,000 for the month and \$3,422,000 for the fiscal year, which is down \$679,000 (-16.6%) from last year. Last month a decrease of \$1,011,000 (-26.5%) was reported from the prior fiscal year. The budget for this category is \$8,846,000 with 38.7% utilized through this month. The decrease in this category compared to last year is due to the early retirement of debt issues in the previous year.

Contingency for transfers shows a remaining budget to date amount of \$804,000. The above expenditure categories will utilize this amount as necessary.

EMPLOYEE HEALTH TRUST FUND:

Health insurance claims paid in March totaled \$276,000, bringing the fiscal year total to \$2,142,000, which is up \$177,000 (+9.0%) compared to last year. The budget for claims expense is \$3,660,000 of which only 58.5% has been spent. Total costs for FY08 in the Health Care Trust Fund now stand at \$2,740,000, up 10.2% over FY07. The adjusted budget for this fund is \$4,683,000 of which 58.5% has been expended.

ENTERPRISE FUNDS:

GOLF ENTERPRISE FUND

Golf Course operating receipts this month were \$147,000, bringing the fiscal year total to \$915,000 up \$1,000 (+0.1%) compared to last year. CrossWinds is up \$27,000 (+4.5%), Riverview decreased \$700 (-0.5%) and Paul Walker is down \$26,000 (-15.0%) compared to last year. The operating revenue budget for this Fund is \$1,518,150, which represents a 6.3% increase from last year's actual operating revenue. Non-operating receipts, which includes Transfers-In, stand at \$1,226,000. This year's total revenue budget is \$2,772,000.

Golf Course operating expenses for March total \$134,000, bringing the fiscal year total to \$1,856,000, which is up \$29,000 (+1.6%) from last year. The Crosswinds course has expended \$1,259,000 this fiscal year, up \$17,000 (+1.4%) from the prior fiscal year; Paul Walker year-to-date expenses total \$293,000, an increase of \$11,500 (+4.1%) from this

point in 2007; and the Riverview course expenses total \$305,000, the same as this time last year. The expenditure budget for the Golf Fund is \$2,820,000 and 65.8% has been utilized through the month of March.

AQUATICS ENTERPRISE FUND

Aquatics operating receipts totaled \$3,000 this month, bringing the fiscal year total at \$207,000 which is up \$34,000 (+19.4%) from last year. The 2008 swimming season at Sims Aquatic Center, runs from April to September. The total FY08 operating revenue budget for this fund is \$462,000, which is an increase of 16.0% compared to FY07 actual operating revenue. Non-operating revenue, which includes Transfers-In, stand at \$111,000.

Aquatics operating expenses total \$1,300 this month and \$283,000 for the fiscal year, which is up \$7,000 (+2.7%) from last year. Last month the expenditures reported in this fund were up over FY2007 by \$9,000 or +3.3%. The adjusted budget for the Aquatics Fund is \$915,000 and through March 31% has been spent.

CONVENTION CENTER ENTERPRISE FUND

Convention Center operating revenues (room rentals, catering receipts, and interest income) total \$15,000 for the month, bringing the fiscal year total to \$188,000, which is up \$21,000 (+12.6%) from last year. Pursuant to the revised management agreement, the City now receives 10% of the room rentals, catering revenue, and audiovisual equipment rentals. This year's total operating revenue budget is \$181,500. Non-operating receipts, which includes Transient Room tax and Transfers-In, were \$185,000 for the month bringing the fiscal year total to \$741,000. This year's total fund budget is \$1,289,250.

Convention Center expenses totaled \$39,000 this month bringing the fiscal year total to \$942,000, which is up \$331,000 (+54.1%) over last year. The increase over FY2007 is a result of the HVAC Controls and Gutter/Moisture Remediation projects currently underway at the Convention Center. The adjusted budget for this fund is \$1,491,000 and through March 63.2% has been consumed.

CFO COMMENTARY:

On the revenue side, we are back to -.6% growth compared to the -1.5% from last month's report. This is the closest we have been to last year's revenue levels since July. One bright spot, however, was the Employee withholding fees which rose to +5.5% compared to +3.5% last month. Property taxes remain steady at +7.5% through March. Net Profits are still the category to watch closely in the remaining months. We did improve somewhat from last month's -44.2% in this category to -31.1% this month. With the receipt of the 2006 extended tax returns, we noticed more overpayments of the estimated payments on Net Profit fees previously filed that have requested refunds, which may be one sign of a slowing economy. However, it is always hard to predict Net Profit fees until we get to May. The occupational tax rate reduction that is factored into the Service Enhancement fee category improved to -19.9% from last month's -22.7%. Building fees, Cemetery, Parks, and Interest income are all still showing nice gains over FY07. In other funds, the insurance premium taxes in the Fire Improvement Fund and the Liquid Fuel taxes in the LFT fund continue to show some growth. As always, we will continue to keep an eye on the Employee Withholdings and the Net Profit fees.

Expenditures rose this month to +5.7% over last year compared to the +2.7% last month. Our biggest expenditure category, Personnel, held steady at +4.9% this month. As mentioned last month, this increase is still not too bad considering that this expenditure category makes up over 50% of the General Fund budget and includes increases for COLA and step raises. Contractuals and Supplies showed little change from last month. However, Subsidies/Assistance showed a \$685,000 swing from last month, most likely due to the third quarter agency appropriation payments going out. Property/Fixed Assets is still the biggest increase of all the expenditure categories this year due to the property acquisition of 707 East Main. In the Healthcare Trust Fund, expenditures for claims are at +9% compared to this time last year, but this is down from last month's +11.2% increase. We have also begun to report the total fund expenditures with this report which includes fixed costs. Through March, total fund expenditures are up

10.2% compared to last month's +11.9%, yet still only 58.5% expended. Overall, the General Fund expenditures stand at 61% of budget after nine months, but April, May, and June are usually heavier months for debt service payments and transfers. Hopefully, we can hold at the +5.7%, or even better, for the remaining three months, to help offset the negative growth we are still experiencing with General Fund revenues.

I hope the information contained in this report is of benefit to you. Many thanks go out to the Finance employees who compile the information contained in this report each month. If you should have questions regarding the information presented, please do not hesitate to contact me.

Sincerely yours,

Jeff Meisel

Chief Financial Officer

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