

City of Bowling Green, Kentucky
Monthly Financial Memorandum
January 2010

This report is to be used for informational purposes only and is only a snapshot of the City's general ledger as of the last day of each month. Therefore, anomalies may occur from time to time given the irregularity in some of the revenue and expenditure categories. Please refer to the CFO Commentary section for summary analysis at the end of each report.

RESOURCES IN:

GENERAL FUND

Operating revenue through January as collected and reported by the Treasury Division:

<u>FY09-YTD</u>	<u>FY10-YTD</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
\$29,608,000	\$29,763,000	\$155,000	+0.5%*

*This is in comparison to FY09 year-to-date which was -1.8% through January last year. Please read CFO commentary for further explanation.

General Fund operating receipts totaled \$7,892,000 for the month, bringing the fiscal year total to \$29,763,000 which is up \$155,000 (+0.5%) from last year. Last month's report showed a decrease of -4.2%. The FY10 adopted budget for General Fund operating revenue is \$49,077,500, which represents a 6.3% decrease from the FY09 adopted budget and a 1.9% decrease from FY09 actual revenues. Our percentage of actual money collected of the FY10 adopted budget figure for the year stands at 60.6%. The major revenue categories are listed below:

Property tax receipts total \$3,280,000 for the month which brings the fiscal year total to \$8,736,000, up \$927,000 (+11.9%) compared to last year. Last month's report showed an increase of 32.0%. Revenues in this category include real and personal property taxes, motor vehicle & boat taxes, franchise taxes, and payments in lieu of taxes. Our adopted revenue budget for this category is \$9,849,000, representing an increase of 7.1% from last year's actual revenues, and 4% growth over FY09 budget. The 2009 tax bills were mailed on October 14th. Our percentage of actual money collected of adopted budgeted figures stand at 88.7%.

Insurance premium taxes are paid on a quarterly basis, with \$123,000 in receipts processed this month, bringing the total to \$809,000, up \$1,000 (+0.1%) from last year. Last months figures reflected an increase of +5.9%. The adopted budget for this revenue source is \$1,485,000, which is the same as the FY09 budget, but an 8.8% increase over FY09 actual revenues. Our percentage of actual money collected of adopted budget figures for the year stands at 54.5%.

Net profit fees totaled \$129,000 for the month bringing the year-to-date total to \$498,000, still down \$122,000 (-19.7%) from last year. Last month's report showed a decrease of -29.0%. The FY10 adopted budget has been set at \$4,091,000, which is a 22.8% decrease from FY09 original budget and a 13.4% decrease from FY09 actual revenues. The budget projection reflects a 3-year trend of shortfalls in this category and the anticipated effects of the recession. Our percentage of actual money collected of adopted budgeted figures stand at 12.2%.

Employee withholding fees collected this month total \$2,591,000, totaling \$13,258,000 down \$297,000 (-2.2%) from last year. Last month's report showed a decrease of -8.1%. The adopted budget for this, the single most important revenue source to the City, is \$22,026,000, which represents an 8.2% decrease from the FY09 budget and a 2.1% decrease from FY09 actual revenues. Again, the budget projection reflected a 3-year trend of shortfalls in this category and the anticipated effects of the recession and local unemployment. Our percentage of actual money collected of adopted budget figures for the year stands at 60.2%

So far, one of the nine Standard Industry Code (SIC) groups show increases in payroll. Of those nine, the top three stood as follows: our largest group-Services (-1.0%), our second largest group-Manufacturing (-12.5%) and our third largest group-Retail (-1.4%).

Service enhancement fee collections totaled \$693,000 this month, bringing the fiscal year total to \$3,431,000 down \$37,000 (-1.1%) from last year. Last month's report showed a decrease of 7.6%. This revenue category was originally the .5% increase of the 2% occupational tax rate adopted in 2003, but now represents .35% of the lower 1.85% occupational tax rate that was effective January 1, 2007. Our adopted budget estimate for this revenue source is \$6,431,000, which is a 9.6% decrease from the FY09 original budget and a 3.0% decrease from last year's actual revenue. Our percentage of actual money collected of adopted budget figures for the year stands at 53.4%.

Building fees received this month were \$16,000, totaling \$248,000 down -\$34,000 (-12.1%) from last fiscal year. Last month was down -13.4%. The adopted budget for this revenue source is \$473,000, which is decrease of 26.1% from the FY09 original budget but an increase of 10.5% over last year's actual revenue. Our percentage of actual money collected of adopted budget figures for the year stands at 52.4%.

Cemetery operation receipts for the month were \$17,000, totaling \$121,000 for the year, down \$20,000 (-14.2%). Last month showed a -16.1% decrease from last fiscal year. Our adopted budget estimate is \$246,000, representing a 6.5% growth over FY09 actual revenues and the same as the FY09 budget. Our percentage of actual money collected of adopted budget figures for the year stands at 49.2%.

Parks & Recreation receipts this month were \$28,000 bringing the fiscal year total to \$238,000, up \$33,000 (+16.1%) from last year. Last month's report showed an increase of 20.0%. The adopted budget for Parks receipts is \$360,500, a decrease of -5.1% from last year's actual but a 15.3% increase over the FY09 budget. Our percentage of actual money collected of adopted budget figures for the year stands at 66.0%.

Interest Earnings are down \$609,000 (-95.6%) compared to last year. This is due to historic lows in interest rates, and the termination of the interest rate swap agreements. We have projected \$350,000 for the FY10 adopted budget due to the plans of spending reserves and lower interest rates.

LIQUID FUEL TAX FUND

Liquid Fuel Tax State Grant receipts received this month were \$75,000, totaling \$543,000, up \$16,000 (+3.0%) from last year. Last month's report showed an increase of +3.3%. This is the major source of revenue for funding the City's annual street overlay and maintenance and is anticipated to bring in \$870,000 this year, a decrease of -1.4% over actual FY09 revenues but a 2.3% increase from the FY09 budget. Our percentage of actual money collected of adopted budget figures for the year stands at 62.4%.

FIRE IMPROVEMENT FUND

Insurance premium taxes are collected on a quarterly basis with \$210,000 in receipts being processed this month, bringing the grand total for the year to \$1,090,000, down \$23,000 (-2.1%) over last year. Last month's report showed a decrease of 5.4%. This is the major source of revenue to the Fire Improvement Fund, and is anticipated to produce \$1,800,000 this year, an increase of 3.8% over actual revenues for FY09 and a 1.8% increase from the FY09 budget. Our percentage of actual money collected of adopted budget figures for the year stands at 60.6%.

RESOURCES OUT:

GENERAL FUND:

Operating expenditures through January as reported by Wilma Brown, Comptroller:

<u>FY09YTD</u>	<u>FY10YTD</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
\$29,677,000	\$27,230,000	-\$2,446,000	-8.2%

General Fund operating expenditures totaled \$3,163,000 for the month of January, bringing the fiscal year total to \$27,230,000, which is down \$2,446,000 (-8.2%) from last year compared to a decrease of \$1,858,000 (-7.1%) reported last month. The FY10 adjusted budget for General Fund operating expenditures is \$51,394,000; of which 53.0% has been utilized through the current month. Details for the major expenditure categories are listed below.

Personnel service costs totaled \$2,262,000 for the month, bringing the fiscal year total to \$16,601,000, up \$318,000 (+2.0%) over last year and compared to an increase of \$354,000 (+2.4%) reported last month. The budget for personnel costs is \$30,547,000, and through this month, 54.3% has been consumed.

Full-time and part-time wages total \$9,366,000 for this fiscal year, which is down \$79,000 (-0.8%) from last year and compared to a decrease of \$2,000 (-0.03%) reported last month. Overtime costs total \$1,330,000 for the fiscal year, down \$23,000 (-1.7%) from last year and compared to a decrease of \$18,000 (-1.5%) last month. Recall time through the month of January totals \$216,000, up \$24,000 (+12.4%) over last year and compared to an increase of \$16,000 (+9.3%) reported last month.

Other fringe benefits, including Health Insurance, FICA, Medicare and Retirement total \$5,688,000 for the fiscal year, up \$396,000 (+7.5%) over last year and compared to an increase of \$416,000 (+9.1%) on last month's report.

Contractual service costs for the month totaled \$435,000 and for the fiscal year totaled \$5,850,000, down \$334,000 (-5.4%) from last year. Through last month, this cost category was down \$235,000 (-4.2%) from the previous fiscal year. The budget for this expenditure is \$11,158,000, of which 52.4% has currently been expended.

Supplies totaled \$94,000 for the month and \$760,000 for the fiscal year, which represents a decrease of \$236,000 (-23.7%) from last year. Last month's report reflected a decrease of \$233,000 or -25.9% compared to the previous year. The adjusted budget for this category is \$1,583,000 and through January, 48.0% has been utilized.

Subsidies and assistance totaled \$361,000 for the month, which contributes to a fiscal year total of \$1,585,000, down \$215,000 (-11.9) from last fiscal year. Last month this category reported an increase of \$98,000 (+7.4%), the decrease in spending for January is attributed to the transfer of the American Recovery and Reinvestment Act (ARRA) grant to a special revenue fund. The grant has been utilized to purchase property and equipment to support the operations of Community Action and is fully funded by the Federal Government. The amount budgeted for this cost category is \$2,120,000; thus far 74.8% has been consumed.

Property and fixed assets category purchases were \$10,000 this month with the fiscal year-to-date at \$42,000, down \$203,000 (-82.9%). Purchases from this cost category for this fiscal year include air condensers for the Police Station. The budget for this expenditure is set at \$117,000 and through January, 35.6% has been utilized.

Fund transfers totaled \$1,200 for the month and \$2,394,000 for the fiscal year, which is down \$1,776,000 (-42.6%) from last year. Last month this expenditure category was down \$1,687,000 or -41.4% from the prior fiscal year. The dramatic decrease this fiscal year through January versus last year is due to the delayed General Fund payment to the TIF Fund. The budget for this category is \$5,631,000 with 42.5% utilized through this month.

Contingency for transfers shows a remaining budget to date amount of \$238,000. The above expenditure categories will utilize this amount as necessary.

EMPLOYEE HEALTH TRUST FUND:

Health insurance claims paid in January totaled \$95,000; which includes \$66,000 paid for medical and vision, \$23,000 for prescriptions and \$7,000 for dental claims. The fiscal year total is \$1,692,000, which is down \$381,000 (-18.4%) compared to last year. The budget for all claims expense is \$3,624,000 of which 46.7% has been spent. Total costs for FY10 in the Health Care Trust Fund through January total \$2,172,000, down \$540,000 (-19.9%) from FY09. The adjusted budget for this fund is \$4,690,000 of which 46.3% has been expended.

ENTERPRISE FUNDS:

GOLF ENTERPRISE FUND

Golf Course operating receipts this month were \$11,000, bringing the fiscal year total to \$686,000 down \$50,000 (-6.8%) compared to last year. Last month's report showed a decrease of -6.6%. CrossWinds is down \$35,000 (-7.5%), Riverview decreased \$13,000 (-10.7%), and Paul Walker is down \$1,600 (-1.2%) compared to last year. The operating revenue adopted budget for this Fund is \$1,505,285, which represents a 2.7% increase from last year's actual operating revenue, but a decrease of -0.6% from FY09 adopted budget. Our percentage of actual money collected of adopted budget figures for the year stands at 45.6%. Non-operating receipts, which includes Transfers-In, remained steady for the month keeping the total at \$1,020,000. This year's total revenue adopted budget is \$2,664,500.

Golf Course operating expenses for January total \$118,000 and \$1,583,000 for the fiscal year, which is up \$19,000 (+1.2%) compared to last year. The Crosswinds course has expended \$1,079,000 this fiscal year, down \$8,000 (-0.73%); Paul Walker year-to-date expenses total \$251,000, an increase of \$20,000 (+8.9%); and the Riverview course expenses total \$254,000, up \$7,000 (+2.7%) from this time last year. The expenditure budget for the Golf Fund is \$2,709,000 of which 58% has been utilized.

AQUATICS ENTERPRISE FUND

Aquatics operating receipts were \$0 this month, keeping the fiscal year total at \$161,000, which is down -\$45,500 (-22.0%) from last year. The 2009 swimming season at Sims Aquatic Center, which ran from May to September, reflected a decrease of \$24,000 (-5.6%) from the 2008 season. The total FY10 operating revenue adopted budget for this fund is \$453,500, which is a decrease of -7.2% compared to FY09 actual operating revenue but a 4.9% increase from the FY09 operating budget. Our percentage of actual money collected of adopted budget figures for the year stands at 35.5%. Non-operating revenue, including Transfers-In, are \$66,000 for the fiscal year.

Aquatics operating expenses total \$1,200 this month and \$260,000 for the fiscal year, which is down \$49,000 (-16.0%) from last year and compared to a decrease of \$47,000 (-15.5%) reported last month. The adjusted budget for the Aquatics Fund is \$966,000 of which 26.9% has been spent.

CONVENTION CENTER ENTERPRISE FUND

Convention Center operating revenues (room rentals, catering receipts, and interest income) total \$18,000 for the month, bringing the fiscal year total to \$134,000, down \$66,000 (-33.0%) from last year. Last month's report showed a decrease of -34.8%. Pursuant to the revised management agreement, the City now receives 12% of the room rentals, catering revenue, and audiovisual equipment rentals. This year's total operating revenue adopted budget is \$228,000 a decrease of 17.1% from actual revenues in FY09 but an 11.5% increase over the FY09 budget. Our percentage of actual money collected of adopted budget figures for the year stands at 58.8%. Non-operating receipts, including Transient Room tax and Transfers-In, increased by \$19,000 for the month totaling \$614,000 for the year. This year's total adopted budget is \$1,411,100.

Convention Center expenses were \$3,000 this month and fiscal year expenditure total \$690,000, which is up \$12,000 (+1.8%) from last year and compared to an increase of \$7,000 (+1.6%) reported last month. The adjusted budget for this fund is \$1,214,000 and through January 56.9% has been consumed.

CFO COMMENTARY:

Revenues in the General Fund now stand at +.5% through the first seven (7) months compared to FY09. Last month's report showed -4.2% through December. January is always the biggest revenue month of the year with the influx of the December 31 postmarked property tax payments being distributed during the month of January. However, this month there was also \$517,000 received from the Federal Transit grant which will all go to Community Action for the public transit program, which inflated our total somewhat. If not for this special grant money, we would still show slightly negative growth (-.3%) compared to this time in FY09. Much of this grant is the additional funding from the Federal Stimulus package that we have not received before. Another reason for the significant spike in overall revenues this month can be traced to Employee Withholdings, which went from -8.1% in the December report to -2.2% this month. I am skeptical in believing that this much real growth (recovery) happened in one month's time. Some companies may have paid bonuses in December, but I would also speculate that most paychecks scheduled for Friday, January 1, were paid at least a day early due to the holiday, which would have resulted in three (3) paychecks during the month of December. This happens a few months out of the year and skews the totals temporarily. In addition to the above anomalies, any seasonal workers hired during the holiday season would have also added to the December withholdings and been paid in January as well. I would not be surprised if we see at least a partial reversal of this growth in withholdings on next month's report.

Property taxes returned to a more normal level of growth compared to last month's +32% but still stand at a healthy +11.9% compared to FY09. Most of the real and personal property tax bills have been collected, but tax collections on line items such as motor vehicle tax will continue through the rest of the fiscal year. Insurance Premiums showed little change this month and remained stable in the General Fund, but improved to -2.1% (-\$23,000) in the Fire Improvement Fund from last month's -5.4% reporting. Net Profit fees improved a little this month to -19.7% (-\$122,000), but we are still in the off-season on these collections. As mentioned over the past few months, there has been an unusually high volume of refunds requested this year which is still a sign of the need for cash by businesses in a struggling economy. The FY10 budgets for withholding fees, net profit fees, and service enhancement fees were all reduced in anticipation of decreased occupational tax revenues due to high unemployment, business closures, reductions in hours worked, and the overall effects of the recession. Most of the other revenue categories in the General Fund on page 2 show decreases compared to last year, with the exception of Parks and Rec. In terms of the overall General Fund revenue budget, we stand at 60.6% of budgeted revenues through seven (7) months.

Expenditures in the General Fund continued to show a favorable variance this month, standing at -8.2% (-\$2,446,000) compared to the first seven (7) months of FY09. Overall, the General Fund expenditures are tracking below adjusted budget projections at 53% consumption. Personnel expenditures remained stable and only 2% (+\$318,000) above FY09. The increase is all found in the fringe benefits component (+\$396,000). The CERS hazardous rate and the CERS non-hazardous rates rose 3% and 3.7% respectively from FY09. The Personnel expenditure category amounts to approximately 62% of the total FY10 General Fund expenditure budget. All the other categories of General Fund expenditures continue to be well below the first seven (7) months of FY09. So far, the non-personnel categories have produced a combined decrease of approximately \$2.7 million in the first seven (7) months of FY10 compared to FY09. Much of this decrease in non-personnel categories is in the Fund Transfers category, in which a significant transfer out for the ballpark debt service has not been made and is still under consideration. The FY10 General Fund expenditure budget reductions were a necessary measure to offset the decline in General Fund revenues. The reductions in the non-personnel expenditure categories and the negative growth thus far in the personnel cost categories (without CERS increases) have helped to offset the challenges with revenues.

In the Healthcare Trust Fund, January claims were only \$95,000, as we begin a new plan year, this should be somewhat expected with deductibles and out-of-pocket maximums starting anew. For FY10, both the Claims expenditures (-18.4%) and total fund expenditures (-19.9%) are still tracking well below last year at this point. As we begin our second year of our insurance plan being on a calendar-year basis, we will continue to monitor the claims closely as well

as the impacts of the plan changes made at the beginning of 2009 to determine if there is any more tweaking needed before the next budget cycle. In terms of budget, both claims and the total expenditures are still tracking well below budget at 46.7% and 46.3% respectively through seven (7) months.

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. I hope the information contained in this report is of benefit to you.

Sincerely,

Jeff Meisel
Chief Financial Officer
Issued February 19, 2010

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