

City of Bowling Green, Kentucky
Monthly Financial Memorandum
July 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 July as collected and reported by the Treasury Division:

<u>FY10-YTD</u>	<u>FY11-YTD</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
\$2,765,000	\$2,948,000	\$183,000	+6.6%*

*This is in comparison to FY10 year-to-date which was -20.8% through July last year. Please read CFO commentary for further explanation.

General Fund operating receipts totaled \$2,948,000 for the month, which is up \$183,000 (+6.6%) from last year. The FY11 adopted budget for General Fund operating revenue is \$47,644,000, which represents a 2.9% decrease from the FY10 adopted budget and a 5.7% decrease from FY10 actual revenues. The year-to-date collections now stand at 6.2% of our FY11 adopted budget figure. The major revenue categories are listed below:

Property tax receipts total \$0 for the month, the same compared to last year. 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 \$10,242,000, representing an increase of 4.2% from last year's actual revenues, and 4% growth over FY10 budget. The 2010 tax bills will be mailed in October.

Insurance premium taxes are paid on a quarterly basis, with \$170,000 in receipts processed this month, down \$33,000 (-16.3%) from last year. The adopted budget for this revenue source is \$1,485,000, which is the same as the FY10 budget, but an 8.5% increase over FY10 actual revenues. So far, we have collected 11.4% of budget.

Net profit fees totaled \$78,000 for the month, up \$38,000 (+95.0%) from last year. The FY11 adopted budget has been set at \$4,100,000, which is a 0.2% increase from FY10 original budget but a 2.5% decrease from FY10 actual revenues. The budget projection reflects a continuation of a more conservative approach in revenue budgeting for occupational taxes due to shortfalls occurring in the past as well as an anticipated slow recovery in the overall economy. To date, collections in this category total 1.9% of budget.

Employee withholding fees collected this month total \$1,908,000, up \$78,000 (+4.3%) from last year. The adopted budget for this, the single most important revenue source to the City, is \$22,141,000, which represents a 0.8% increase from the FY10 budget but a 2.7% decrease from FY10 actual revenues. Again, this budget projection reflects a continuation of a more conservative approach in revenue budgeting for occupational taxes due to shortfalls occurring in the past, as well as an anticipated slow recovery in the overall economy and high local unemployment rates. So far, we have collected 8.6% of budget

This month, eight of the ten Standard Industry Code (SIC) groups show increases in payroll. Of those ten, the top three stood as follows: our largest group-Services (+2.9%), our second largest group-Manufacturing (+17.3%) and our third largest group-Retail (+18.3%).

Service enhancement fee collections totaled \$470,000 this month, up \$17,000 (+3.8%) from last year. This revenue category was originally the .5% increase of the 2% occupational tax rate that was in effect from 2003 to 2007 when it was lowered to 1.85%. This category represents .35% of the current 1.85% occupational tax rate and is still being tracked for comparison purposes. Our adopted budget estimate for this revenue source is \$6,431,000, which the same as the FY10 original budget and a 2.4% decrease from last year's actual revenue. To date, collections in this category total 7.3% of budget.

Building fees received this month were \$27,000, up +\$12,000 (+80.0%) from last fiscal year. The adopted budget for this revenue source is \$423,000, which is a decrease of 10.6% from the FY10 original budget and a decrease of 38.2% over last year's actual revenue, which included some unusually large permit receipts. So far, we have collected 6.4% of budget for this category.

Cemetery operation receipts for the month were \$19,000, down \$2,000 (-9.5%). Our adopted budget estimate is \$234,000, representing a 4.9% decrease from FY10 adopted budget but a 8.8% increase over FY10 actual revenues. To date, collections in this category total 8.1% of budget.

Parks & Recreation receipts this month were \$58,000, up \$2,000 (+3.6%) from last year. The adopted budget for Parks receipts is \$360,000, a decrease of -12.2% from last year's actual and a 0.1% decrease from the FY10 budget. Collections for this category now total 16.1% of budget.

Interest Earnings are the same as compared to last year with no receipts this month. We have projected \$82,000 for the FY11 adopted budget due to historically low interest rates and the timing of various maturities on investments. The budget represents a 76.6% decrease from the FY10 adopted budget.

LIQUID FUEL TAX FUND

Liquid Fuel Tax State Grant receipts received this month were \$88,000, up \$3,000 (+3.5%) from last year. This is the major source of revenue for funding the City's annual street overlay and maintenance and is anticipated to bring in \$890,000 this year, a decrease of -5.6% over actual FY10 revenues but a 2.3% increase from the FY10 budget. To date, collections in this category total 9.9% of budget.

FIRE IMPROVEMENT FUND

Insurance premium taxes are collected on a quarterly basis with \$198,000 in receipts being processed this month, down \$81,000 (-29.0%) over last year. This is the major source of revenue to the Fire Improvement Fund, and is anticipated to produce \$1,820,000 this year, an increase of 2.7% over actual revenues for FY10 and a 1.1% increase from the FY10 budget. Collections in this category now stand at 10.9% of the budget.

RESOURCES OUT:

GENERAL FUND:

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

<u>FY10YTD</u>	<u>FY11YTD</u>	<u>\$ CHANGE</u>	<u>% CHANGE</u>
\$3,574,000	\$3,598,000	\$24,000	+0.7%

General Fund operating expenditures totaled \$3,598,000 for the month of July, which is up \$24,000 (+0.7%) over last year. The FY11 adjusted budget for General Fund operating expenditures is \$50,774,000; of which 7.1% has been utilized through the current month. Details for the major expenditure categories are listed below.

Personnel service costs totaled \$1,753,000 for the month, up \$47,000 (+2.7%) over last year. The adjusted budget for personnel costs is \$30,442,000 and through this month, 5.8% has been consumed.

Full-time and part-time wages total \$940,000 for this fiscal year, which is up \$54,000 (+6.1%) over last year. Overtime costs total \$141,000 for the fiscal year, up \$1,000 (+0.8%) over last year. Recall time through the month of July totals \$17,000, down \$4,000 (-20.4%) from last year.

Other fringe benefits, including Health Insurance, FICA, Medicare and Retirement total \$656,000 for the fiscal year, down \$4,000 (-0.7%) from last year.

Contractual service costs for the month and fiscal year total \$1,330,000, up \$95,000 (+7.7%) over last year. The increase in spending this fiscal year is a combination of annual software maintenance contracts being paid in July rather than August and the early payment of the annual property assessment to PVA. The adjusted budget for this expenditure is \$8,791,000, of which 15.1% has currently been expended.

Supplies totaled \$43,000 for the month fiscal year, which represents a decrease of \$15,000 (-26.3%) from last year. The adjusted budget for this category is \$1,494,000 and through July, 2.9% has been utilized.

Subsidies and assistance totaled \$336,000 for the month, down \$14,000 (-3.9%) from last fiscal year. The amount budgeted for this cost category is \$1,820,000; thus far 18.4% has been consumed.

Property and fixed assets category purchases were \$0 this month, which compares to \$0 purchases made last July. The budget for this expenditure is set at \$120,000; through July 0% has been utilized.

Fund transfers totaled \$136,000 for the month and fiscal year, which is down \$89,000 (-39.7%) from last year. The budget for this category is \$7,521,000 with 1.8% utilized through this month.

Contingency for transfers shows a remaining budget to date amount of \$585,600. The above expenditure categories will utilize this amount as necessary.

EMPLOYEE HEALTH TRUST FUND:

Health insurance claims paid in July totaled \$154,000; which includes \$107,000 paid for medical and vision, \$33,000 for prescriptions and \$14,000 for dental claims. The fiscal year total is \$154,000, which is down \$21,000 (-12.1%) compared to last year. The budget for all claims expense is \$3,390,000 of which 4.5% has been spent. Total costs for

FY11 in the Health Care Trust Fund total \$238,000, down \$24,000 or 9.0% from this point in FY10. The adjusted budget for this fund is \$4,467,000 of which 5.3% has been expended.

ENTERPRISE FUNDS:

GOLF ENTERPRISE FUND

Golf Course operating receipts this month were \$163,500, down \$29,000 (-15.2%) compared to last year. CrossWinds is down \$17,000 (-15.1%), Riverview decreased \$1,000 (-3.0%), and Paul Walker is down \$11,000 (-25.3%) compared to last year. The operating revenue adopted budget for this Fund is \$1,553,563, which represents a 15.3% increase from last year's actual operating revenue, and an increase of +3.2% from FY10 adopted budget. Our percentage of actual money collected of adopted budget figures for the year stands at 10.5%. Non-operating receipts, which includes Transfers-In, were \$0 for the month. This year's total revenue adopted budget is \$2,327,458. To date, total collections for the Golf Fund total 7.0% of budget.

Golf Course operating expenses for July total \$137,000, which is down \$28,000 (-17.1%) compared to last year. The Crosswinds course has expended \$78,000 this fiscal year, down \$24,000 (-23.5%); Paul Walker year-to-date expenses total \$27,000, a decrease of \$2,000 (-7.0%); and the Riverview course expenses total \$32,000, down \$2,000 (-6.3%) from this time last year. The expenditure budget for the Golf Fund is \$2,367,000 of which 5.8% has been utilized.

AQUATICS ENTERPRISE FUND

Aquatics operating receipts were \$170,000 this month, which is up +\$56,000 (+49.3%) from last year. The 2010 swimming season at Sims Aquatic Center, which runs from May to September, reflects an increase of \$108,500 (+29.8%) from the 2009 season. The total FY11 operating revenue adopted budget for this fund is \$500,000, which is an increase of +0.8% compared to FY10 actual operating revenue and a 10.3% increase from the FY10 operating budget. Our percentage of actual money collected of adopted budget figures for the year stands at 34.0%. Non-operating revenue, including Transfers-In, were \$0 for the month. Total collections for the Aquatics Fund now stand at 20.0% of the budget.

Aquatics operating expenses total \$79,000 this month and fiscal year, which is up \$9,700 (+14.2%) over last year. The adjusted budget for the Aquatics Fund is \$974,000 of which 8.1% has been spent.

CONVENTION CENTER ENTERPRISE FUND

Convention Center operating revenues (room rentals, catering receipts, and interest income) total \$0 for the month, down \$6,000 (-100.0%) from last year. 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 \$210,500 a decrease of 23.7% from actual revenues in FY10 and a 7.7% decrease over the FY10 budget. Our percentage of actual money collected of adopted budget figures for operating revenues stands at 0.0% through one (1) month. Non-operating receipts (including Transient Room tax and Transfers-In) were \$0 for the month. This year's total adopted budget is \$1,425,300 with total collections now standing at 0% of budget.

Convention Center expenses were \$100,000 this month, which is up \$55,000 (+118.9%) over last year. The adjusted budget for this fund is \$1,746,000 and through July 5.7% has been consumed.

CFO COMMENTARY:

Revenues in the General Fund appear to be off to a great start at the +6.6%, but as you know, it is all relevant because last July reflected a 20.8% decline from July 2008. In terms of actual dollars, the July 2010 revenue total ranks as the 2nd lowest July since July 2006, yet it is still nice to see the \$183,000 improvement from a year ago. There were no receipts posted for property taxes this month, so there is nothing to comment about in that category. The Insurance Premium taxes in the General Fund are showing a decrease to start out the year, but this is mostly in comparison to the unusually large amount of insurance premium tax collections last July. July is usually an off-month for the quarterly receipt of these taxes. In the Fire Improvement Fund, the Insurance Premium taxes reflect the same situation as in the General Fund, but again this is hopefully just due to the timing of receipts. Net Profit fee returns are almost double compared to last July, but this is the off-season for these as well and probably just the extended 2009 returns coming in. Employee Withholding fees are off to a solid start (+4.3%) and are the big driver behind the overall 6.6% growth. The FY11 budget for occupational taxes was again projected using a conservative approach due to the anticipated slow recovery of the economy and to help guard against an overall revenue shortfall. Other notable categories include Building Fees, which appear to still be on a path of recovery. Parks and Recreation receipts also off to a solid start in FY11. In terms of the overall General Fund revenue budget, we stand at 6.2% of budgeted revenues one month into the new year.

Expenditures in the General Fund began the new fiscal year near par with last July (+0.7%). The total expenditure budget for FY11 was set at \$47.9 million, which was a 2.4% reduction from the FY10 original budget. The Personnel category includes a 1.8% COLA to full-time employees and a one-time payment that after combining with the 1.8% COLA, will equate to 2.7% increase for most full-time employees. FY11 Personnel expenditures will also include increases in both the CERS Hazardous and Non-Hazardous employer contribution rates, with the Hazardous rate increasing by 0.8% and the CERS-Non Hazardous rate increasing by 4.8% compared to FY10. The Personnel expenditure category amounts to approximately 63% of the total FY11 General Fund budget. All the other categories of General Fund expenditures, with the exception of Contractuals, have started out below FY10. As explained earlier, the increase in Contractuals may just be a timing issue with some annual contractual expenditures being made earlier than they were last year. The reductions in these non-personnel categories were a key cost-savings tool in FY10 in containing overall growth in expenditures and offsetting growth in Personnel. This trend will hopefully continue in FY11. In terms of budget, after one month, we stand at 7.1% consumption.

In the Healthcare Trust Fund, claims expenditures (-12.1%) and total fund expenditures (-9.0%) have started off well below last July. As we are into 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. We should also have a truer comparison this year to the 2009 calendar year as the timing of deductibles and out-of-pockets get realigned. In terms of budget, both claims and the total expenditures are in good shape through the first month at 4.5% and 5.8% consumption respectively.

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 August 20, 2010

376028