



City of Bowling Green, Kentucky

POPULAR ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2020



Photo Courtesy of: Phillip Christmas

Introduction

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A MESSAGE FROM THE CITY MANAGER

Dear City Residents,

We are pleased to present the City of Bowling Green's tenth Popular Annual Financial Report (PAFR) for the 2020 Fiscal Year.

This report is intended to present a condensed overview of the City's financial position, financial practices, and details outlining how City revenues were generated and spent. Financial information in this report is derived from the independently audited financial statements that are a part of the City of Bowling Green's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2020.

We are proud to report that the City has been awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association the past 14 years and the Award for Outstanding Achievement in Popular Annual Financing Reporting for the last nine years.

A special thank you goes out to the dedicated men and women of the City's Finance Department whose hard work and diligence made this possible.

As you review this Popular Annual Financial Report, please feel free to share any questions, concerns or recommendations you may have with us.

Respectfully,

Jeffery B. Meisel

City Manager



"As a city government, we strive to provide the best city services at the lowest appropriate cost, to adequately maintain and invest in public infrastructure, to compete economically on a global and national stage, and to seek to improve the quality of life for all residents in the City of Bowling Green."

- Jeffery Meisel, City Manager

PROFILE OF BOWLING GREEN

Bowling Green, the “Park City” of Kentucky, was established in 1798, and is the third largest city in the Commonwealth with a metropolitan statistical area population of over 174,835. The City limits occupy a land area of over 40.75 square miles, has a current population estimated at over 70,550 and serves as the retail, educational, medical, commercial, and social hub for South-Central Kentucky and Northern Tennessee. The boarder workforce, which measures employable workers that are 18 years and older, is measured at approximately 750,000 for the area encompassing a hundred mile radius from the City.



Bowling Green is home to several significant companies including the General Motors Corvette Assembly Plant, Fruit of the Loom, Houchens Industries, Holley Performance Products and Camping World. The State’s third largest public university, Western Kentucky University, is also situated in Bowling Green and has approximately 18,200 students in a wide range of academic programs. The University’s athletic teams are dubbed the “Hilltoppers.”

The City provides a full range of municipal services, including police and fire protection, permitting and inspection services, construction and maintenance of streets and other infrastructure, recreational activities and cultural events, and general administrative services. The City’s workforce as of June 30, 2020, was comprised of 488 authorized full-time positions and up to 306 part-time positions.

Bowling Green has been nationally recognized on many occasions and recent accolades include being ranked 39th by *Money Magazine* as Best Place to Live in America. *Forbes* listed Bowling Green as 49th for Job Growth for “Best Small Places for Business and Careers” out of 200 cities and 70th for Low Cost of Doing Business, with an overall ranking of 70th. *Southernliving.com* listed Bowling Green as ranking among the best places to buy property due to a walkable downtown and good median household costs. The Chamber of Commerce ranked Bowling Green as 42nd in the nation for Best Small Cities for Business in 2020. Additionally, the Bowling Green Area Chamber of Commerce was again recognized by *Site Selection* magazine as one of the Nation’s top areas attracting corporate facility investment. In 2019 *Site Selection* ranked Bowling Green as 3rd in high performing metros among communities with populations less than 200,000, this marked the seventh year Bowling Green has ranked in the top 6 nationwide. *Global Trade Magazine* lists Bowling Green as the #2 City for manufacturing companies.



BOARD OF COMMISSIONERS

The City operates under the City Manager form of government. The City Manager, who is appointed by the Board of Commissioners (Board), is responsible for enforcing City ordinances and policies, and for carrying out day-to-day operations. The Board consists of a Mayor, who is elected for a term of four years, and four non-partisan Commissioners who are chosen on a plurality-at-large voting basis for two-year terms. The Board is responsible for passing ordinances and taxation, adopting the budget, appointing committees relating to specific aspects of municipal affairs and ratifying personnel appointments/promotions as recommended by the City Manager.

From bottom left: Commissioner Dana Beasley-Brown and Commissioner Sue Parrigin.
From top left: Commissioner Brian “Slim” Nash, Commissioner Joe Denning, and Mayor Bruce Wilkerson.

About this Report

POPULAR ANNUAL FINANCIAL REPORT

The Popular Annual Financial Report (PAFR) is intended to brief the residents of the City of Bowling Green on the financial standing of the City. The PAFR also highlights FY2021 budgetary initiatives to show the City's planned investments for the upcoming year. The information reflected in this report was drawn from the 2020 Comprehensive Annual Financial Report (CAFR). The CAFR conforms to the generally accepted accounting principles (GAAP) and includes audited financial statements.

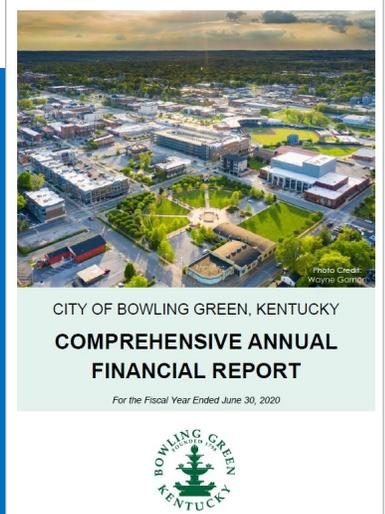


Photo courtesy of Terry Chou

Component unit information related to Bowling Green Municipal Utilities is not disclosed within this Popular Annual Financial Report. For more detailed information and copies of the CAFR and past PAFR reports, visit the City's website at www.bgky.org.

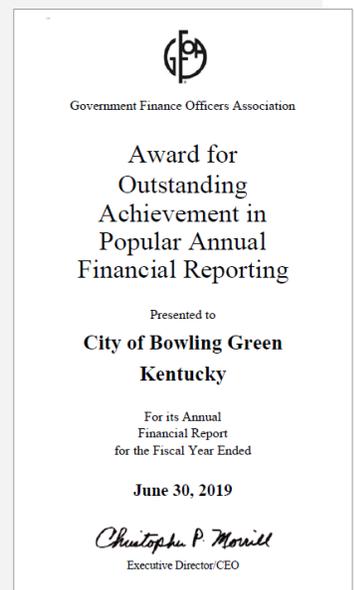
GOVERNMENT FINANCE OFFICERS ASSOCIATION

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Financial Reporting to the City of Bowling Green for the fiscal year ended June 30, 2019. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing the City's conformance with the highest standards for preparation of state and local government popular reports. This is the ninth consecutive year the City has received the award.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal. An Award for Outstanding Achievement in Popular Financial Reporting is only valid for a period of one year.

We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the GFOA.

The City also received the GFOA Certificate of Achievement for Excellence in Financial Reporting Award for the FY2019 CAFR for the fourteenth consecutive year and the Distinguished Budget Presentation Award for the FY2020 budget for the eighth consecutive year.



Government-wide Financials

The information on the following two pages provides a short-term view of the City's governmental operations, illustrates how services are financed, and how the balances remaining at year end are available for future spending. *Component unit financial information is not disclosed.*

GOVERNMENTAL REVENUES *(Excludes Business-Type)*

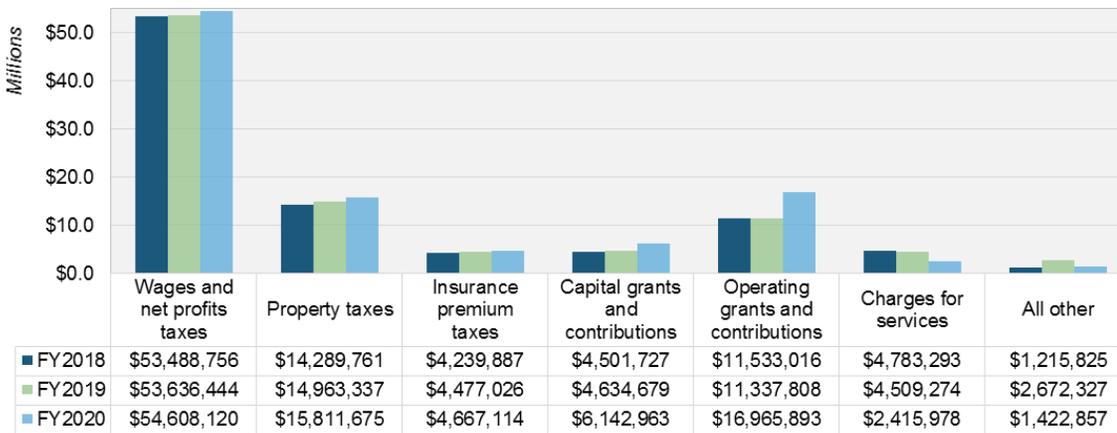
The City's major revenues during FY2020 are up when compared to the prior fiscal years.

- Operating and capital grant revenues increased by a total of \$7.1M, or +44.7%, over the prior fiscal year due to new grants received to offset the effect of COVID-19 closures.
- Property taxes have continued to grow in FY2020, at a rate of 5.7%, or +\$848,000, due to rising assessments and continued construction of new homes and multi-family housing units.
- Wages and net profits saw modest growth of \$971,676, or +1.8%, resulting from increasing wages prior to COVID-19 related closures in the community.

Government-wide Total Revenues *(in Millions)*



Government-wide Revenues



GOVERNMENTAL EXPENSES *(Excludes Business-Type)*

Government-wide Total Expenses *(in Millions)*



Government-wide Expenses



Government-wide expenses have increased during the three prior years, particularly in FY2020.

- The increase in general government expenses of over \$4.9M, or +17.5%, from FY2019 to FY2020 is due to increased pension expenses and rising healthcare costs.
- Public Works expenses increased during FY2020 by \$2.2M, or +17.1%, as a result of construction costs associated with downtown development and multiple road projects.
- Public Safety expenses increased from FY2019 to FY2020 by over \$1.1M, or +4.3%, due to the purchase of two new fire apparatuses and construction costs to build a new fire station and an evidence storage facility.

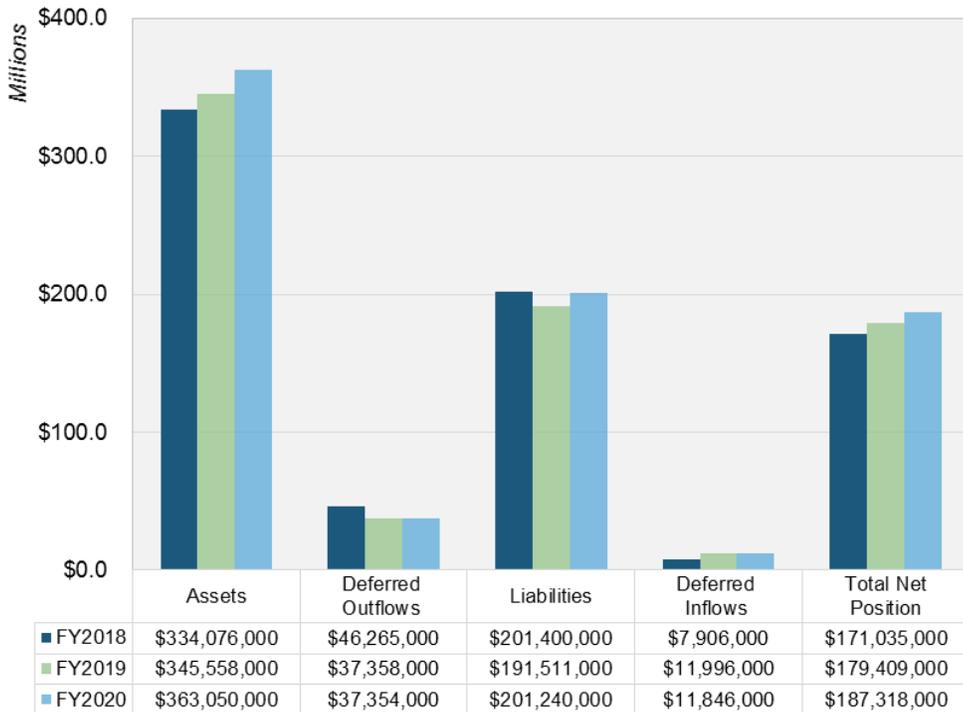
Government-wide Financials

Governmental activities represent activities financed primarily through taxes and intergovernmental revenues. These activities include governmental and internal service funds. The Business-type activities are financed in-whole or in-part by fees charged to external parties for goods and services. These activities are reported in the Convention Center Corporation enterprise fund.

STATEMENT OF NET POSITION

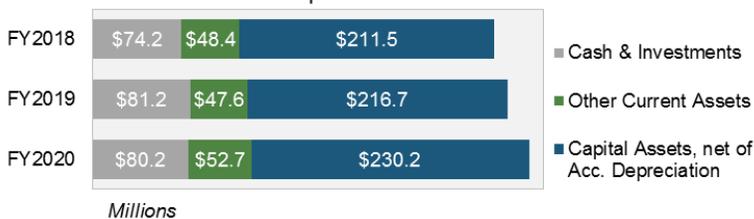
The statement of Net Position represents the City's assets and liabilities, deferred outflows and deferred inflows, and the resulting net position. Net position is the difference between what the City *owns* and what the City *owes*. A positive net position balance indicates a measure of financial stability. The City's **total governmental net position increased** from \$179.4M in FY2019 **to \$187.3M** in FY2020, **an increase of \$7.9M, or +4.4%**.

Governmental Activities Statement of Net Position History

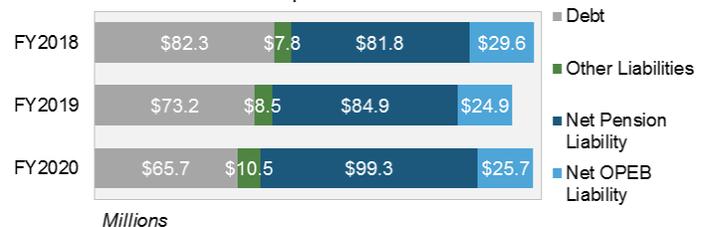


The City's governmental net position, excluding business-type activity, has grown \$16.3M since FY2018. The increase net position is principally due to increasing assets resulting from the investment in capital assets. Overall, liability totals have remained steady and reflect decreasing debt obligations from scheduled principal and interest payments, but also include rising pension and OPEB liabilities. See the comparisons of selected asset and liability components below.

Selected Components of Assets



Selected Components of Liabilities



Business-type activities, which is comprised of the Convention Center Corporation, have reported an **increase in net position of \$1.65M or +11.3%** since FY2018, shown to the right. The increase is a result of the retirement of general obligation debt and a decrease in capital spending.

(in thousands)	FY2018	FY2019	FY2020
Assets	\$15,349	\$15,778	\$16,515
Deferred Outflows	1	0	0
Liabilities	755	0	271
Total Business-Type Net Position	\$14,595	\$15,778	\$16,244

GENERAL FUND FINANCIAL HIGHLIGHTS

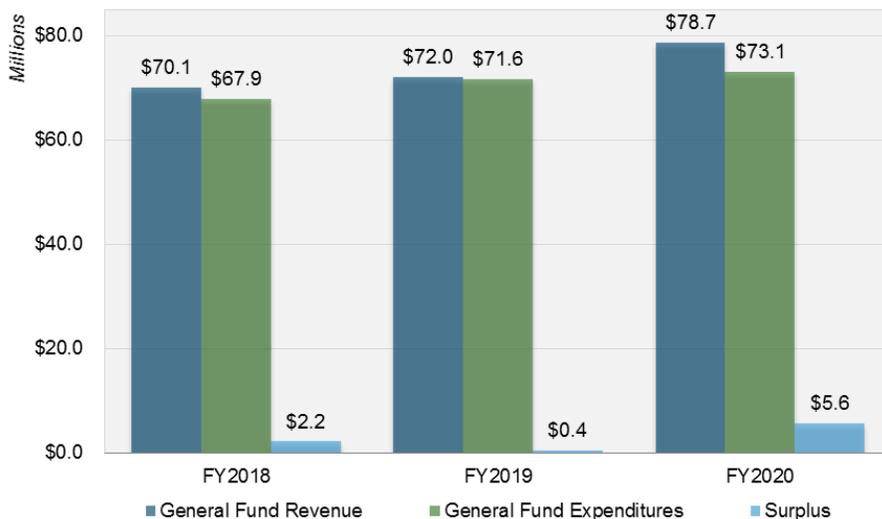
FY2020 actual revenue collections totaled \$78.7M, which exceeded the amended budget by \$1.0M. Actual revenues outpaced the amended budget due to modest gains in property tax revenue and employee wage withholding collections resulting from positive wage growth and property assessments prior to COVID-19 related closures.

Actual expenditures totaled \$73.1M, which is \$8.4M less than the final amended budget. Actual expenditures were significantly less than the final amended budget due to projects being carried forward to the next fiscal year for completion.

The resulting fund balance total for FY2020 was \$33.6M, up from the original budgeted amount of \$28.0M, and the amended budget figure of \$24.3M.

Additional information on the current and prior year fund balances is presented below.

Change in Fund Balance History - General Fund



Fund Balance History
General Fund



The General Fund serves as the chief operating fund of the City. The General Fund total **fund balance at June 30, 2020 was \$33.6M**, or 42.7% of revenues.

The FY2020 ending total fund balance **increased \$5.6M, or +20.2%, over the FY2019** fund balance of \$28.0M. The increase, shown as assigned fund balance, is principally a result of intergovernmental grants received to mitigate the impact of COVID-19 related closures on the City's net profit and employee wage withholding collections.

Also, in FY2020 the **committed fund balance**, which is 25% of adopted General Fund revenues, **totaled \$18.1M** compared to \$18.5M in FY2019. The slight decrease is the result of declining adopted revenue budget figures for FY2020 compared to FY2019 to reflect prior year revenue collection trends.

Other fund balance details for the prior three years are presented in the chart above.

FUND BALANCE DEFINITIONS

The General Fund is the chief operating fund of the City and is comprised of five fund balances:

Non-spendable*— Amounts that are not in a spendable form or are required to be maintained intact.

Restricted*— Amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government), through constitutional provisions or enabling legislation.

Committed— Amounts constrained to specific purposes by the City itself, this includes the 25% reserve 'rainy day' balance.

Assigned— Amounts the City intends to use for a specific purpose (such as encumbrances).

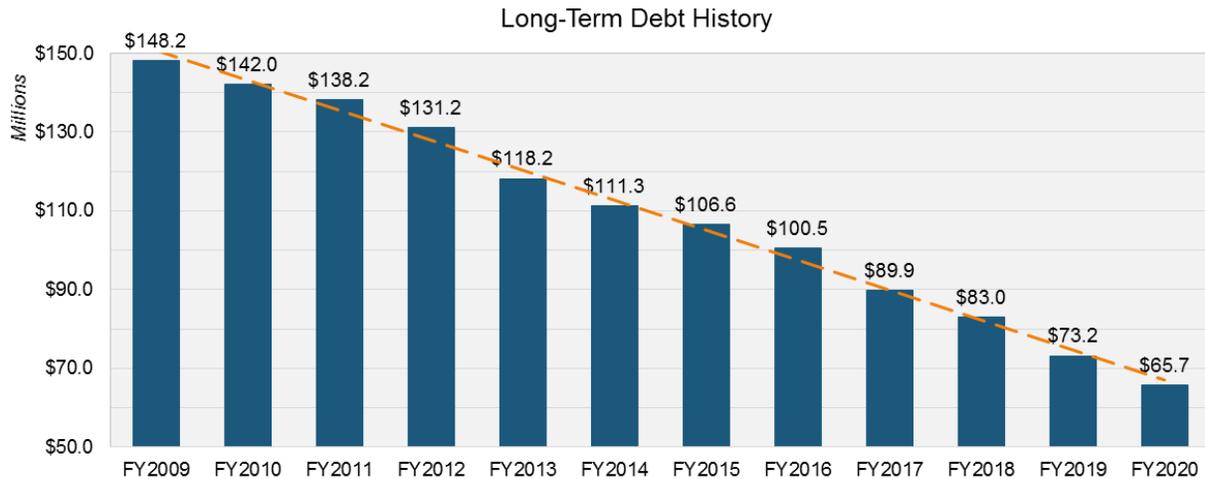
Unassigned— Amounts that are available for any purpose; positive amounts are reported only in the General Fund.

*The non-spendable fund balance was \$209,367, \$293,526, and \$298,345, for FY2018, FY2019, and FY2020, respectively. The restricted fund balance was \$0 for FY2018 and FY2019, and \$67,000 for FY2020.

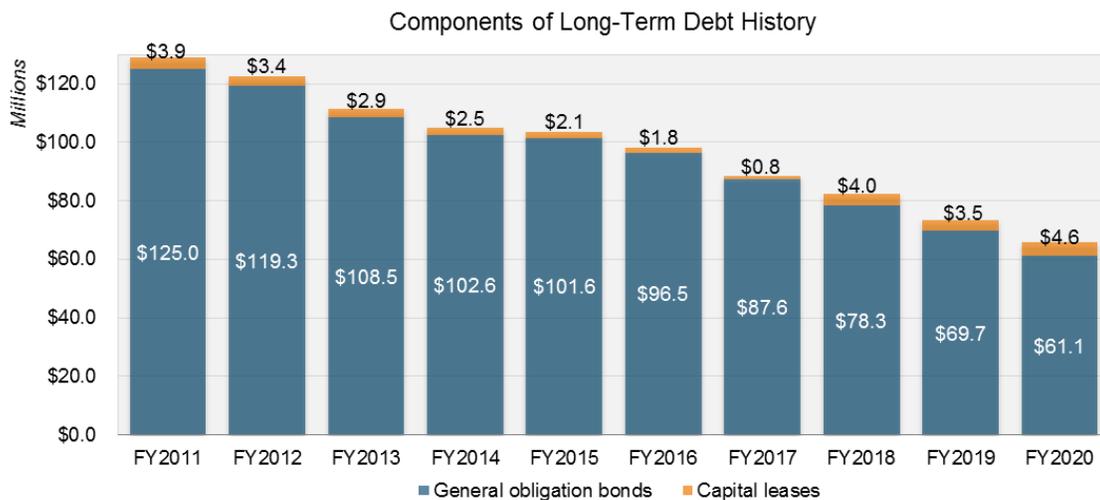
Long-Term Debt

The total long-term debt outstanding at June 30, 2020, was \$65.7M, net of discounts and premiums. The City currently maintains bond ratings of “Aa2” from Moody’s and “AA” from Standard & Poor’s.

Below is a graphical illustration of the history of the City’s long-term debt, net of discounts and premiums. **Long-term debt has decreased by \$82.5M, or 55.7%, since the high of \$148.2M in 2009.** During the last 12 years, the City has refinanced 11 bond issues and paid debt off early, which will result in approximately \$7.3 million in debt service savings through 2038. Advanced refundings are no longer allowed under the Federal tax law, but future opportunities to save money on early defeasance of existing debt will continue to be monitored.



In FY2020, outstanding debt decreased \$9.1M from the previous year through scheduled principal payments. New debt, in the form of a capital lease, was issued in the amount of \$1,531,518 to fund the purchase of two new fire apparatuses during FY2020. The new debt will be funded from insurance premiums received in the Fire Improvement Special Revenue Fund. A summary of the City debt by type, general obligation bonds or capital lease, is found below for the prior ten years.



The City’s outstanding general obligation debt, net of discounts and premiums, is comprised not only of debt issued for City related projects, but also of debt for non-City government purposes and entities. This includes debt issued for: Western Kentucky University (\$15,340,000), Ballpark (\$19,155,000), and the Intermodal Transpark Authority or ITA (\$7,650,000). The debt for WKU is paid 100% by the University, debt for ITA is paid 50% by the City and 50% by Warren County, and the Ballpark debt is paid 100% by the City.

The City of Bowling Green is subject to a legal debt limitation not to exceed 10% of total assessed property value within the city boundaries under Section 158 of the Constitution of the Commonwealth of Kentucky. The City is subject to a legal debt margin of \$594,651,388, which is well above current debt levels.

Legal Debt Margin Calculation	
Assessed Value (est.)	\$ 6,603,627,466
Debt Limit (10% of assessed value)	660,362,747
Debt Applicable to Limit:	
General Obligation Bonds	61,126,049
Notes and Capital Leases Payable	4,585,310
Total Net Debt Applicable to Limit	(65,711,359)
Legal Debt Margin	<u>\$ 594,651,388</u>

HOW WE COMPARE

Below, Bowling Green is compared to Owensboro, Kentucky, and Franklin, Tennessee. Per Capita is defined as the total dollar value divided by the population of each city. For example, Debt per Capita is the total bonded indebtedness divided by the population. This calculation allows the debt of each city to be easily compared based on population.

GENERAL COMPARISONS

	Bowling Green ¹	Owensboro, KY ²	Franklin, TN ³
Population	70,550	59,809	70,908
Total taxable assessed real estate value	\$5,422,095,570	\$3,214,327,234	\$4,994,739,050 ⁴
Real estate tax rate ⁵	\$0.2050	\$0.2660	\$0.4176
Land area (square miles)	40.75	20.89	43.00
Unemployment rate ⁶	6.8%	6.2%	6.1%
General Fund revenues	\$78,716,120	\$57,788,620	\$69,956,580
Total governmental funds—revenue per capita	\$1,417	\$1,271	\$1,791
Total governmental funds—expenditure per capita	\$1,370	\$1,211	\$1,812

DEBT COMPARISONS

	Bowling Green	Owensboro, KY	Franklin, TN
Total outstanding debt—primary government	\$65,711,359	\$151,066,712	\$245,634,639
Debt per capita	\$931	\$2,526	\$3,464
Net general obligation debt as a percentage of assessed taxable real estate	1.21%	4.70%	4.92%

BOND RATINGS COMPARISONS

	Bowling Green	Owensboro, KY	Franklin, TN
Standard & Poor's (high to low: AAA, AA+, AA, AA-)	AA	AA	AAA
Moody's (high to low: Aaa, Aa1, Aa2, Aa3, A1)	Aa2	A2	Aaa

¹ FY2020 CAFR.

² FY2019 CAFR (year ended June 30, 2019).

³ FY2020 CAFR (year ended June 30, 2020).

⁴ Real Property Assessment value obtained from Statistical Table "Revenue Capacity Information – Assessed Value and Estimated Actual Value of Taxable Property".

⁵ Real Estate Tax Rates are per \$100 of assessed value.

⁶ Source: US Dept of Labor, Local Area Unemployment Statistics for Cities and Towns Above 25,000 Population (preliminary rates for October 2020).

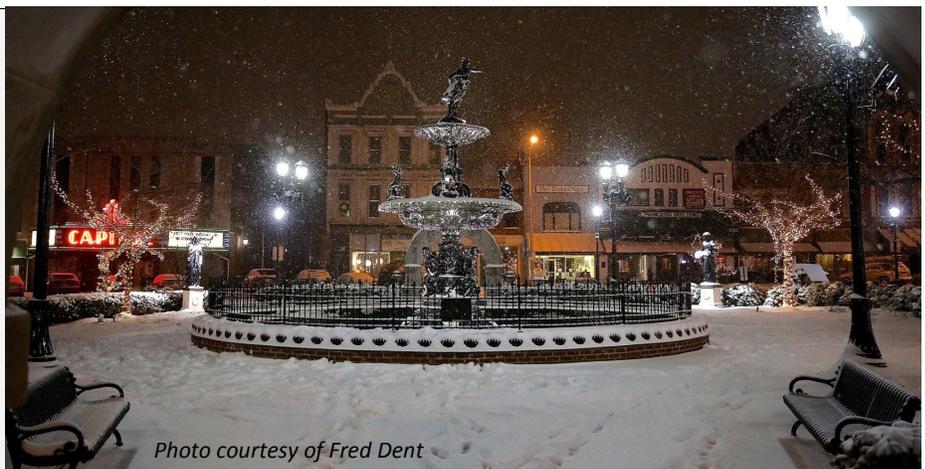


Photo courtesy of Fred Dent

Outcomes: Past and Future



FY2021 APPROVED CAPITAL IMPROVEMENT PROJECTS

Community Livability

\$3,082,226

- Greenways Expansion
- Sidewalk Reconstruction
- Stormwater Mitigation
- CrossWinds Golf Bunker Replacement, Year 2
- Riverfront Park Development

Technology Improvements

\$40,000

- Server Replacements & Upgrades

Traffic & Roads

\$6,185,000

- Street Resurfacing
- Shive Lane Widening & Roundabout
- Downtown Improvements Project
- Intersection Spot Improvements

Municipal Facilities & Equipment

\$1,547,000

- Vehicle Purchases & Replacements
- Dispatch Console & UPS Replacements
- Hobson Golf Irrigation Improvements

