



CITY OF NEW RICHMOND

THE CITY BEAUTIFUL

4TH QUARTER 2018 FINANCIAL REPORT



City of New Richmond

OPERATING REVENUE – GENERAL FUND

2018 Year-to-date Actual Revenue Compared to Budget

As of December 31, 2018, \$7,092,669 or 111% of budgeted revenue has been collected, which is trending slightly above the 5-year average of 107%. Revenues ended slightly lower compared to prior year by \$48,563, or 0.68%. This apparent decline in revenues is somewhat misleading due to one-time revenues driving up total 2017 revenue. When these one-time revenues (TID 6 land sale to Best Western and hail damage insurance recoveries) are excluded, 2018 revenues outperformed 2017 revenues by \$660,350, or 10.4%.

Revenue Category	2017 Actual	2018 YTD	2018 Budget	% Actual to Budget	% Revenue by Source
Taxes - Property & Other	3,556,914	3,882,716	3,860,863	101%	55%
Intergovernmental	1,632,354	1,714,712	1,535,870	112%	24%
Regulation & Compliance	590,317	625,648	397,665	157%	9%
Public Charges for Services	361,932	434,380	355,643	122%	6%
Special Assessments	8,496	17,218	4,196	410%	0%
Investment Income	52,329	112,707	52,780	214%	2%
Miscellaneous	898,890	255,615	115,654	221%	4%
Operating Transfers In	40,000	50,000	77,000	65%	1%
Total Revenue	\$ 7,141,232	\$ 7,092,996	\$ 6,399,671	111%	100%

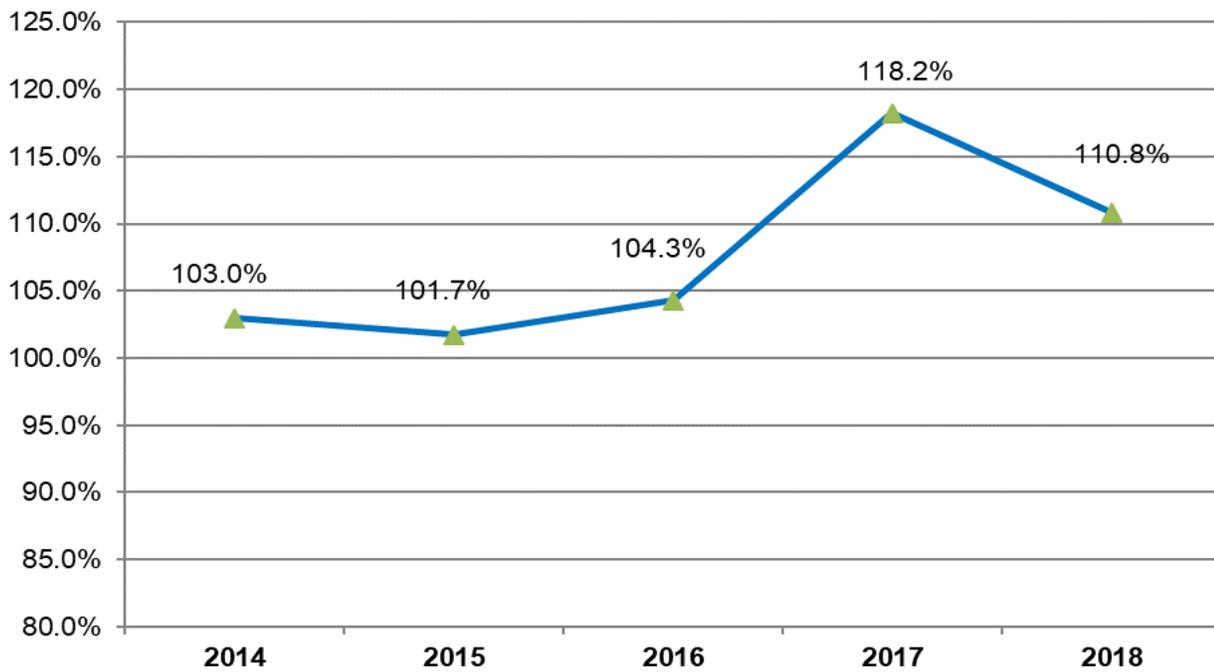
Notable budget-to-actual variances through 4Q18 include medical insurance recoveries of \$97K from a 2013 claim which was settled in December 2018 and received in 2019, Room Tax collections (\$33.7K / 145% above budget), building permits (\$211K / 196% above budget) and \$45,618 of unbudgeted hail damage insurance claims revenue. Building permit and inspection revenue continued to grow in 2018, exceeding record 2017 revenues by \$11,661, a 2.78% year-on-year increase.

Building permit and inspection revenue is expected to remain strong through 2018 due to continued residential development. Through December 31, 2018, there were 157 new dwelling permits and 794 total permits issued, representing over \$50.2M in total construction value. By comparison, 102 new dwelling permits and 1,073 total permits representing \$45.2M in total construction value were pulled in 2017. Increases in Room Tax revenues are due to the Best Western opening in April of this year.

5-Year Revenue Trend

Revenue collected through the end of each year has averaged just over 107% of budget or \$6.47M. Revenues collected during 4Q18 trended slightly higher than average at 111% or \$7.09M, but slightly lower than last year due to a land sale in TID 6 that occurred in 2Q17 and insurance recoveries related to 2017 hail damage. Higher than average revenues in 2018 reflect a growing property tax base after several years of strong residential construction, associated building permit and inspection fees, increased room tax collections, and unbudgeted insurance claims revenue.

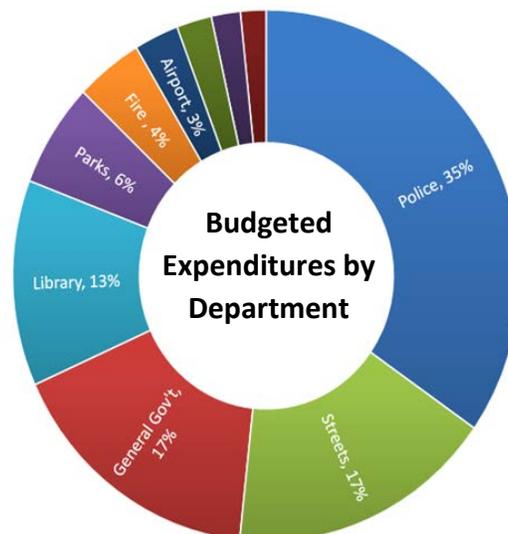
YTD Revenue as a Percentage of Budget



OPERATING EXPENSES – GENERAL FUND

2018 Expenditure by Department

2018 budgeted operating expenditures are \$6,399,670, with expenses related to Public Safety (Police, Fire and Ambulance) accounting for \$2.64M of budgeted expenditures, followed by Public Works at \$1.49M, General Government at \$1.0M, Library at \$800K and Airport, Economic Development and Culture/Other comprising \$460K.



Expenditures Actual to Budget

Expenditure by Department	2017	2018 YTD	2018 Budget	Variance	% YTD to Budget	% Expense by Dept
Police	2,115,972	2,316,463	2,221,165	95,298	104%	33%
General Government	1,069,234	1,112,233	1,062,105	50,128	105%	16%
Streets	1,072,350	1,237,089	1,086,173	150,916	114%	17%
Parks	404,026	592,418	405,267	187,151	146%	8%
Library	763,007	773,641	802,228	(28,587)	96%	11%
Fire	264,247	279,442	273,865	5,577	102%	4%
Airport	163,663	166,301	181,939	(15,638)	91%	2%
Economic Development	93,465	171,747	105,291	66,456	163%	2%
Ambulance & Emer. Gov't	120,874	132,600	127,288	5,312	104%	2%
Culture	71,627	117,556	96,450	21,106	122%	2%
Taxi	113,438	130,309	10,000	120,309	1303%	2%
Health & Social Services	5,632	7,008	5,900	1,108	119%	0%
Outlay Expenditures	33,882	15,530	7,000	8,530	222%	0%
Transfers	13,614	21,864	15,000	6,864	146%	0%
Total Expenditures	\$ 6,305,031	\$ 7,074,201	\$ 6,399,671	\$ 674,530	111%	100%

As of December 31, 2018, actual expenditures are \$7,074,201 or 110.5% of budget. The variance of \$674,530 is mainly attributable to hailstorm repairs. The notable expenditure-to-budget variances are explained in greater detail below:

- 2017 hailstorm repair expenses** – In 2017, \$284,787 in hail insurance proceeds were received. The hail proceeds were recognized as revenue in 2017, in accordance with accounting standards, and carried forward as fund balance into 2018. However, hail repairs were made in 2018 and the cost of the repairs are reflected as an expense in 2018 in accordance with accounting standards. For example, the Parks Department had \$165,883 of hail damage repair expenses in 2018 that appear as an unbudgeted expense without an offsetting revenue. However, this amount is actually covered via drawdown of the 2017 insurance monies placed in assigned fund balance at

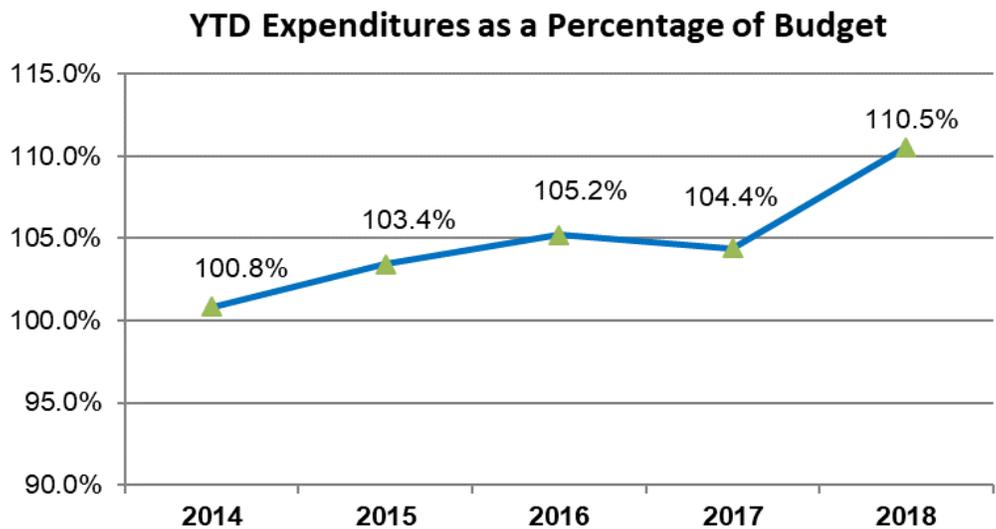
the end of the year. When hail repair expenses are excluded, Parks expenses total \$426,535, or 105% of budget, instead of \$592,418, or \$146% of budget. The Library and Police also had hail repair expenses of \$12,362 and \$8,484, respectively.

- Police Department – 2018 expenditures ended at \$2.3M, approximately 104% or \$95K over budget. This variance is due mainly to overtime pay and vehicle fuel costs, reflecting increasing service demands. Note that \$39,922 of expenditures is offset via reimbursement from the school district for the SRO position.
- Public Works - Streets – Street lighting, signal maintenance and repairs and maintenance of equipment pushed expenditures to 114% of budget, or \$60K over the budgeted amount of \$1,086,173. Additionally, a mid-year increase in recycling shed hauling exceeded budget by \$10K. Note that \$26,944 of expenditures are offset by sidewalk and alleyway assessments.
- Public Works - Parks – Salaries ended approximately \$20.5K over budget due to increasing service demands, while previously noted hail repair costs skewed total expenses vs. budget.
- Legal/Attorney fees – Legal services ended approximately \$47.2K over budget due to legal consultation outside of normal and customary retainer coverage including required legal consultation and/or document drafting, annexation, development agreements, open records requests and property maintenance issues.
- Shared-Ride Taxi – Shared-Ride Taxi expenditures are historically budgeted at \$10K to cover the City’s share of operating the taxi. Actual taxi expenditures total \$130,309 for 2018, a variance of \$120K to budget. However, this variance is offset by state and federal grant funding of \$110K.

5-Year Comparison of Expenditures during Fourth Quarter

Historically, expenditures have averaged 104.8% of budget over the last five years. Current year expenditures are higher than average, approximately 110.5% of budget.

However, hail damage repairs completed during the year are the main driver of this increase.



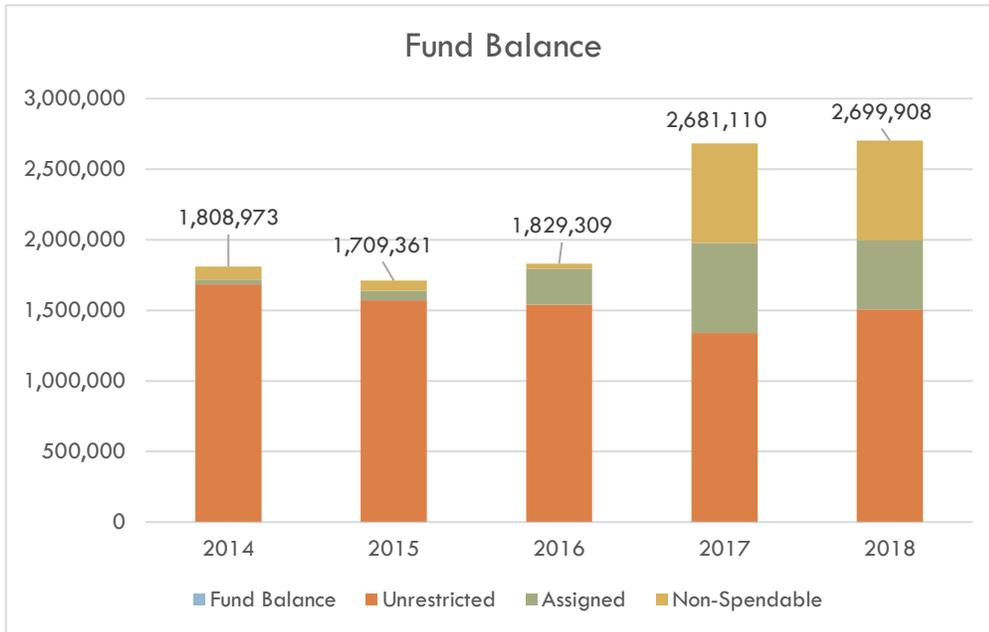
When hail repair costs are excluded, expenditures ended the year at \$6,887,471, or approximately 107% percent of budget. However, higher than anticipated revenues of \$6,995,719 or 109% of budget and assigned fund balance set aside for hail damage repairs more than offset increased expenditures.

FUND BALANCE

The City’s 2018 fund balance is \$2,699,908, this is an increase of \$96,950 from the 2018 projected fund balanced of \$2,602,958. The increase is attributable to the medical insurance recoveries from a 2013 claim that settled in December 2018 with funds received by the City in 1Q19. In accordance,

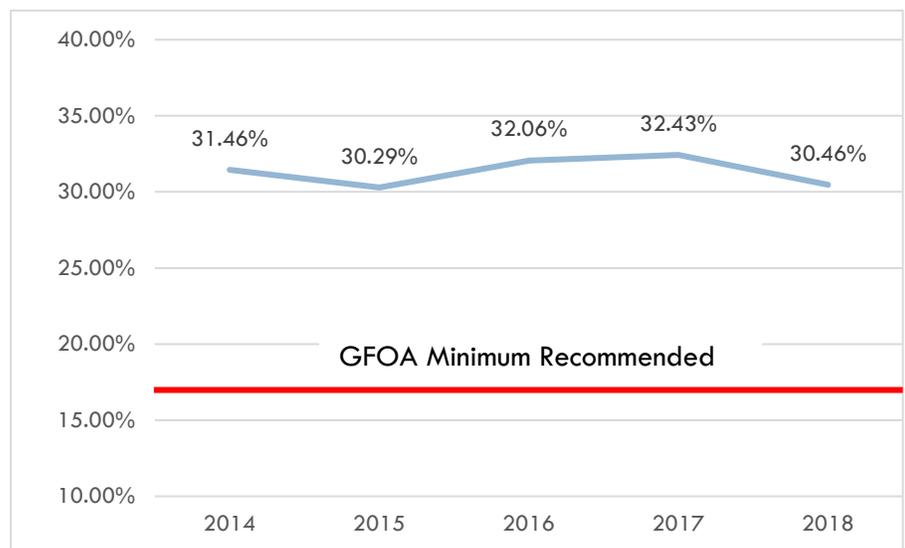
with generally accepted accounting principles (GAAP) the funds are recognized as revenue in 2018 as the claim was from a prior year.

The City’s fund balance remains strong, with fund balance increasing \$18,798 or 0.70%. The chart to the left provides an overview of the City’s historical fund balance.



Unrestricted Fund Balance as a Percentage of Revenue

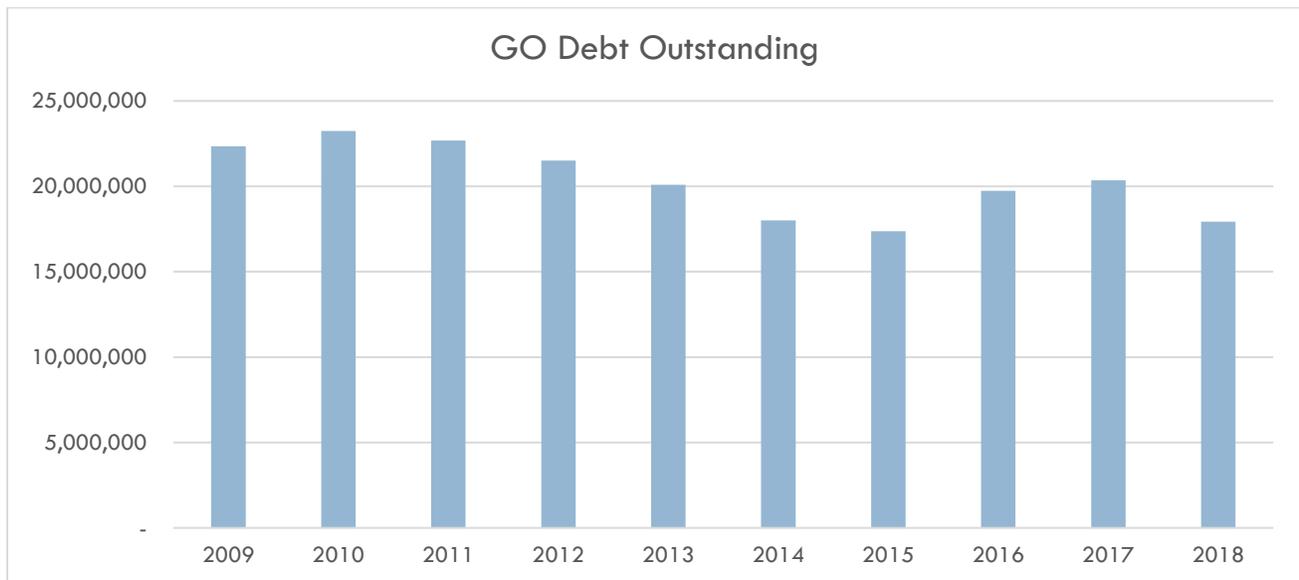
The general fund balance as a percentage of revenue is an important financial measurement used by credit rating agencies as it serves as an indicator of the City’s liquidity. The Government Finance Officer Association (GFOA) recommends a minimum of two months reserves (17%). However, the City has established a target fund balance above the GFOA recommended minimum of at least 25%. The 2018 unrestricted general fund balance as a percent of revenues is 30.46%, exceeding both targets.



GENERAL OBLIGATION DEBT

General Obligation Debt

As of December 31, 2018, principal and interest payments of \$2,440,919 and \$555,519 were made, representing 100% of the year’s general obligation payments. The table below shows GO debt outstanding at the end of the last five years:

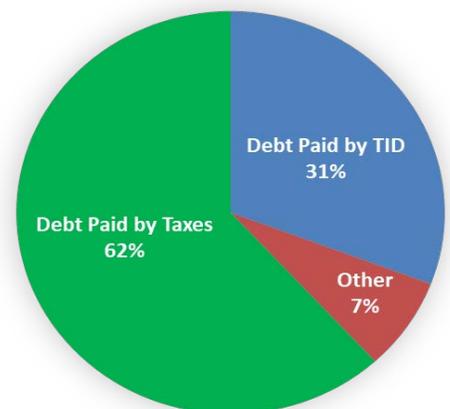


Sources of Debt Repayment

The general debt obligations of the City are repaid from a variety of sources based upon the use of borrowed funds, including property taxes, storm water revenue, tax increment, or revenue generated by the electric, water and sewer utilities.

In 2018, 62% or \$1,851,176 of debt payments are paid by general property taxes. Tax Increment Districts (TID) pay \$921,819 or 31% of debt, followed by utilities and golf course revenue at 7% or \$223,441.

Sources of Debt Payment



INVESTMENTS

As of December 31, 2018, total funds inclusive of operating and investments are as follows:

INVESTMENT	Dec. 31, 2018	Dec. 31, 2017
GENERAL CITY INVESTMENTS	5,086,226	2,165,210
RESTRICTED INVESTMENTS		
Stock Funds	10,358	10,165
Future Outlay	10,761	10,561
Future Retirements	42,843	40,036
Police Department	-	501
Sports Center	115,839	99,243
Library	543,528	498,805
Impact Fees	672,355	394,696
Cemetery	51,312	40,384
Revolving Loan Fund	66,550	64,457
Capital Projects Investments	727,702	1,119,994
Landfill Cleanup Investments	7,855	21,342
Stormwater Investments	136,844	6,080
Park Land Trust	173,695	129,105
Library Trust	263,636	266,562
Flex Benefits	28,504	27,246
Armed Services Memorial	1,403	3,844
TOTAL INVESTMENTS	\$ 7,939,409	\$ 4,898,230
CITY OPERATING CASH BALANCE	\$ 1,096,335	\$ 3,585,729
TOTAL CITY INVESTMENTS & CASH	\$ 9,035,744	\$ 8,483,959
UTILITIES - RESTRICTED INVESTMENTS	\$ 9,424,076	\$ 9,293,015
UTILITY OPERATING CASH BALANCE	\$ 169,615	\$ 141,001
TOTAL UTILITY INVESTMENTS & CASH	\$ 9,593,691	\$ 9,434,016

K9 Fund

As of December 31, 2018, the ending fund balance for the K9 fund is \$16,234.04

FUND ACTIVITY		
	Current Quarter	Fiscal YTD 07/01/2018- 12/31/2018
Beginning Fund Balance	14,781.14	14,446.15
CONTRIBUTIONS		
(a) Tax Deductible Gifts and Bequests	1,435.00	4,132.70
(b) Non Tax Deductible Contributions	0.00	85.00
(c) Transfers In	0.00	0.00
Total Contributions	<u>1,435.00</u>	<u>4,217.70</u>
INVESTMENT ACTIVITY		
(d) Realized Income	79.01	140.89
(e) Unrealized Gains (Losses)	0.00	0.00
Total Investment Activity	<u>79.01</u>	<u>140.89</u>
DISBURSEMENTS		
(f) Grants and Scholarships	0.00	2,353.95
(g) Administrative and Investment Fees	61.11	216.75
(h) Fund Project Expenses	0.00	0.00
(i) Transfers Out	0.00	0.00
Total Disbursements	<u>61.11</u>	<u>2,570.70</u>
Ending Fund Balance as of 12/31/2018	16,234.04	16,234.04