

Fourth Quarter 2019 Financial Report

Finance Department



February 18, 2020



Fourth Quarter Report

2

- Reports unaudited activity for 2019
- Compares 2019 results to the 2019 Revised Budget
- Identifies trends or issues that may impact 2020

Key Points

- General Fund produced a slight surplus
- Water and Sewer had lower revenues and expenditures
- Golf Fund continues to face significant challenges

General Fund Revenues

4

- GF revenues were \$5.8 million under budget (franchise fees \$3.8 million and charges for services \$1.4 million)
- Tax revenues overall performed slightly better than budgeted

General Fund Expenditures

5

- GF expenditures were \$7.1 million under budget

	2019 Revised	2019 Actual	Variance
Public Safety	\$139.2 million	\$138.6 million	\$0.6 million
Other Programs	\$111.3 million	\$104.9 million	\$6.5 million
Total	\$250.5 million	\$243.4 million	\$7.1 million

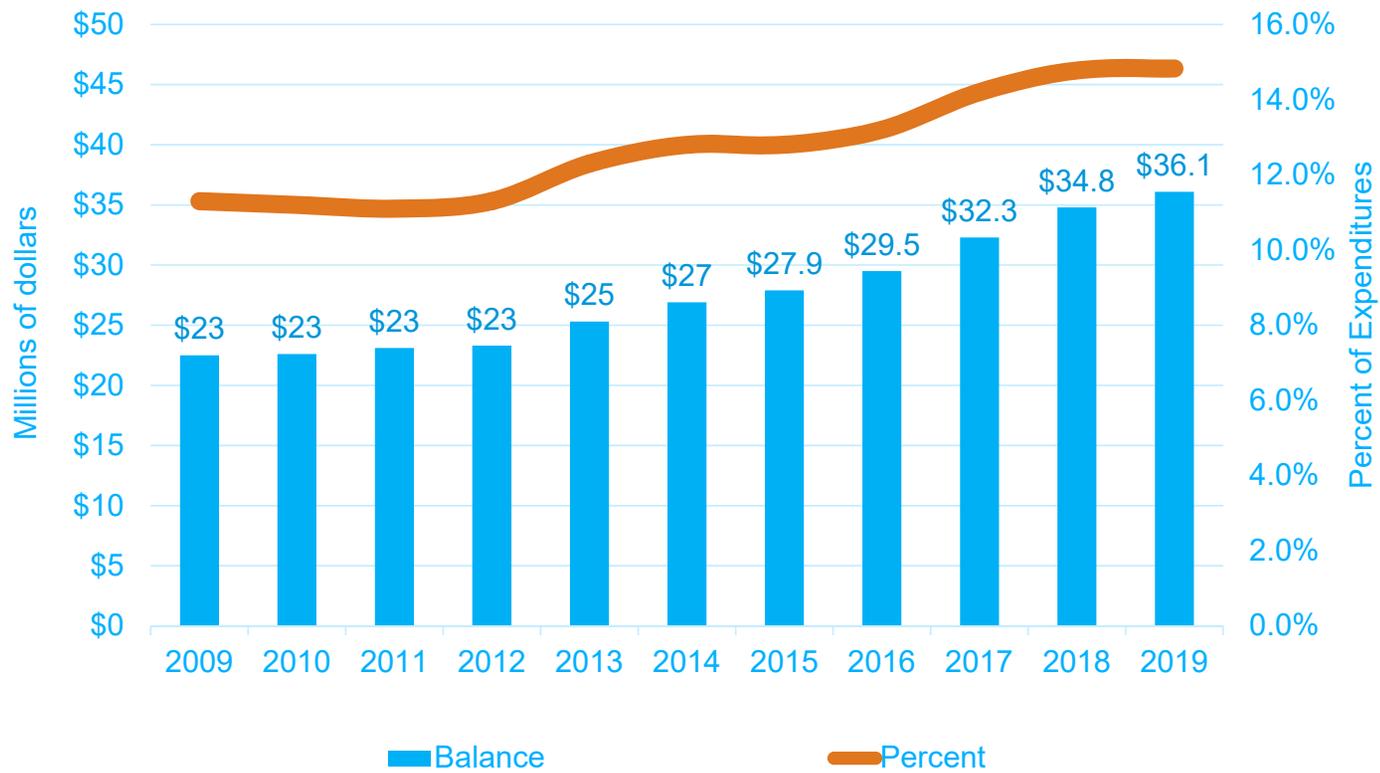
General Fund Overall

	2019 Revised	2019 Actual
Revenue	\$250.5 million	\$244.7 million
Expenditures	\$250.5 million	\$243.4 million
Margin	\$0.0 million	\$1.3 million

General Fund – Key Takeaways ⁷

- General Fund finished with a slight surplus
- Public Safety continues to be the priority
- Tax revenues performed well

Reserves



Importance of Reserves

- Rating agencies focus on reserves

The stable outlook is based on the city's regional economic importance that will continue to expand modestly given stabilization in the aerospace industry and growth in non-manufacturing industries. The stable outlook also reflects **the city's consistent general fund reserve position** over the past several years, a trend we expect to continue.

Both of the region's largest local governments, Sedgwick County and the city of Wichita, have a relatively low reliance on economically sensitive sales tax revenue and a higher reliance on more stable property tax revenue. **Both also maintain healthy general fund reserves** and consistently exhibit conservative and forward-thinking governance and management. Smaller cities in Sedgwick County, such as

- **Strong budgetary performance, with a slight operating surplus in the general fund** and an operating surplus at the total governmental fund level in fiscal 2018;
- **Very strong budgetary flexibility, with an available fund balance in fiscal 2018 of 16% of operating expenditures;**

Reserves – Key Takeaways

10

- Reserves are important: they provide flexibility
- Rating agencies monitor reserves very closely; generally, decreases are viewed negatively
- GFOA best practice is 17%

Golf Fund

11

- Golf revenues totaled \$3.8 million in 2019, down 6.1% from 2018
- Golf expenditures were \$4.1 million in 2019, down 7.6% from 2018
- The operating deficit in 2019 was \$230,533

Golf Fund

12

- The Golf Fund continues to face challenges, with little cash and declining rounds
- The 2019 cash balance of \$740 - due to a General Fund subsidy of \$461,000
- New pass strategy seems to be retaining pass holders (with conversion to a monthly payments)

Golf Fund - Takeaways

13

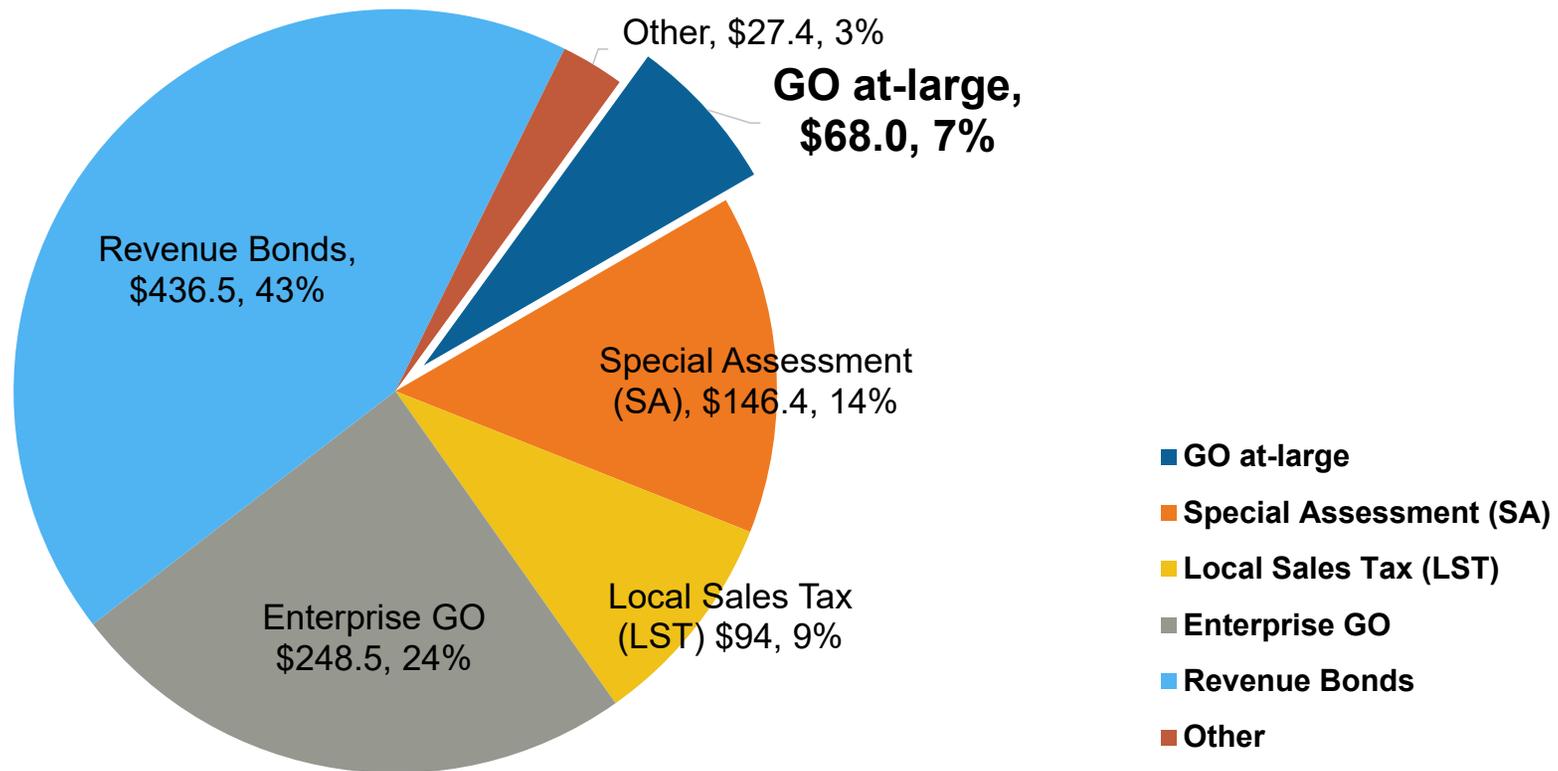
- Staff continue to closely monitor fund activity
- Internal loans or the short-term deferral of internal charges may be necessary
- Fund solvency in 2020 will depend on:
 - Controlling expenditures
 - Increasing rounds from non-pass players
 - Increasing rounds for pass holders *and* capturing concession and cart sales

Water and Sewer Utility Funds

14

- Water Utility – Revenues down 5.6% from last year and under budget. Expenditures - consistent with last year and under budget
- Sewer Utility – Revenues up slightly from last year and slightly below budget. Expenditures - consistent last year and under budget

Total Bonded Debt



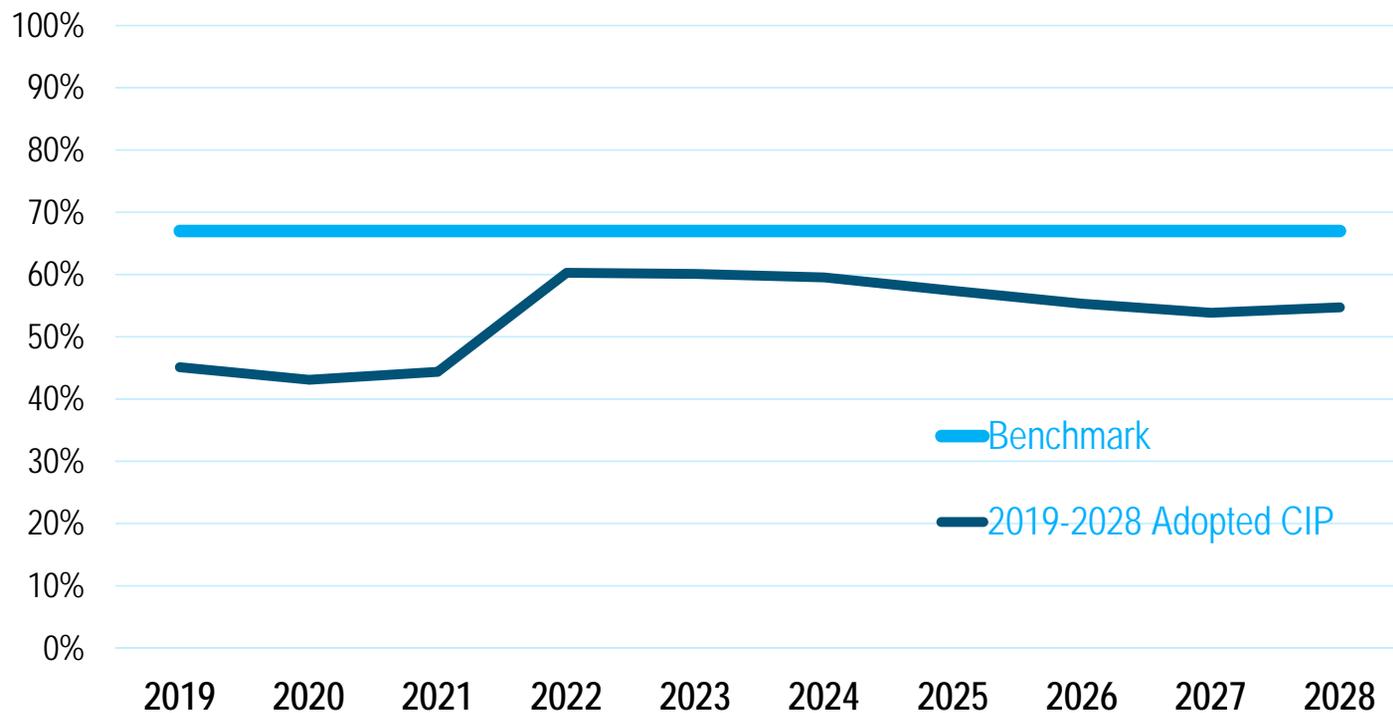
State Debt Limit

16

Assessed Valuation	\$4,083,358,509
State Debt Limit Percentage	<u>30%</u>
City Debt Limit per State Law	\$1,225,007,553
City Debt Applicable to the Limit	\$341,403,792
Total Debt Margin	\$883,603,761
Portion of Debt Limit Used	28%

Internal GO At-large Metric

GO At-large Debt Service / Property Tax Revenues



Debt Activity - 2020

18

- March note sale - Notes are used to temporarily fund project costs (later financed with cash or bonds)
- Fall bond sale – GO at-large, Special Assessment, Local Sales Tax

Looking Forward

19

- Tax revenues in 2019 performed well and the 2020 Budget is based on moderate assumptions
- Longer term – organic revenue growth is slower than expenditure growth
- Impact of an economic slowdown would affect current projections

GF Impact of a Downturn

20

- Immediate - slower sales tax revenue growth, then static revenue for 12-18 months
- Near term – motor vehicle tax revenue slows; interest earnings drop; property tax collections decrease
- Longer term – property valuation drops for 1-2 years

Summary

21

- General Fund performed well in 2019 and is positioned for continued moderate expansion; any slowdown will have immediate and longer-term impacts on revenues
- Golf Fund is challenged; additional adjustments in 2020 may be needed

Recommendation

22

- Receive and file the Quarterly Financial Report for the period ending December 31, 2019

Fourth Quarter 2019 Financial Report

Finance Department

