



Financial Reports

(unaudited)

June 30, 2017

July 25, 2017

Dear Mayor Davis, Members of the Commission, and Ms. Jackson:

This afternoon we are presenting for your information the financial reports of several major operational funds for the period ended June 30, 2017. These reports are presented on a cash basis for the major operating funds. Additionally, information on Local Sales Tax (LOST) collections and Special Purpose Local Sales Tax (SPLOST) collections and projects are included. Consequently, there are only five months of revenue recorded for sales tax.

Total revenues during the second quarter are not accurate indicators of Augusta's financial position. This is particularly true in the category for Taxes. The primary reason is that ad valorem tax revenue is not booked until third quarter and other types of revenue also follow cyclical patterns. Other categories such as Licenses, Charges for Service and Fines are less seasonal. For this reason, we concentrate much of our analysis on the expenditure side of the budget equation where we can exert more control.

As we reported last week, our audit firm Mauldin & Jenkins issued a clean audit report and had no findings. In an organization, our size, two years with no findings is a testament to the professionalism and dedication of Augusta's management. Also reported was an increase to the General Fund fund balance of \$3.4 million. The breakdown of the increase is listed below:

Budgeted increase		\$1,125,000
FEMA reimbursement	\$2,066,000	
Balance (breakeven)	\$ 223,000	

The projected increase in the fund balance presented in our 12-31-16 report was \$3.379 million, a difference from the results of \$35,000 or 1.04%. The 2017 budget contains the final budgeted increase in reserves to return the fund balance assigned for catastrophic losses to pre ice storm levels. However, the recent action to use fund balance from the general fund to stabilize the Street Lights fund may not leave sufficient resources to reach this goal in 2017.

The other revenue source that has a major impact on both Augusta's operations and capital expenditures is sales tax. Collection rates affect operations and capital differently. Slower collection rates for SPLOST simply delay the rate of expenditures since we have a guaranteed amount of total collections. Decreased collections for LOST impact the total amount of revenue available to support General Fund, Law Enforcement Fund, and Urban Service Fund operations. Local option sales tax revenue as a percent of total budgeted revenue for those funds is 7.44%, 38.00%, and 51.49% respectively.

Last quarter we reported that the real property digest was showing a preliminary growth rate of 2%. However, decreases in the digest due to the shutdown of several large manufacturers, Freeport exemptions, and tax abatements resulted in a total digest that was smaller in 2017 than in 2016. As a result, revenue from Ad Valorem taxes is projected to be \$200,000 less than the adopted budget.

I hope this information along with the reports and narrative that follow are helpful. I will be happy to answer any questions that you might have.

Sincerely

Donna B. Williams, CGFM
Finance Director

Today's Discussion

- General Fund
- Law Enforcement Fund
- Urban Services Fund
- Fire Protection Fund
- Water and Sewerage Fund
- Stormwater Utility
- Other

Second Quarter Indicators

- The second quarter report is not the most accurate indication of the actual performance of the government because revenue percentages tend to be skewed due to the billing of property taxes during the third quarter. As a result expenditure levels against budget are used as key indicators to monitor financial position.

Sales Tax Collections



Annual Sales Tax Comparison

<u>Year</u>	<u>Total</u>	<u>Increase / (Decrease)</u>
2013	34,187,518	
2014	35,754,844	1,567,326
2015	35,056,908	* (697,936)
2016	34,237,131	(819,778)
2017	14,323,176	

* 2015 total is prior to refund to Standard Aero of \$2,246,693.43

<u>Year to date as of 5/31/17</u>		
2016	14,352,018	
2017	14,323,176	(28,842)
Projected Overage (Short Fall)		65,512.04
Allocation Percentage		
General Fund	20.13%	13,187.57
Law Enforcement	65.54%	42,936.59
Urban Services	14.33%	9,387.88
		<u>65,512.04</u>

Second Quarter Concerns

- *Franchise Fees from Electricity:*
 - 7.7 % lower than budgeted, \$1.1 Million lower than 2016
- *No growth in Tax Digest*
 - *Projected \$200,000 less than budget revenue*
- *No increase in fees for Street lights*
 - \$850,000 allocated from general fund to subsidize
 - Recommend obligating \$300,000 from general fund contingency

Upcoming discussions

- *Health Care Costs and Benefits*
 - Amount of employee contributions
- *Street light fee rate structure*
- *2017 Millage rate*

Questions / Comments