INTER - CITY MEMORANDUM

To: Havre de Grace City Council and Citizens
From: Mayor William T. Martin
Date: August 15, 2016
RE: Fiscal 2016 Financial Results

I am pleased to present the financial performance of our City for fiscal 2016.

I invested significantly in Havre de Grace over the year, most notably in the downtown business district and along our waterfront parks. I also obtained citizen support for the City to borrow $4.5 million for 2 very important 2017 initiatives, the Opera House renovation and the Water Plant rehabilitation. I am already investing further in our City with the planned opening of the dog park at the Community Center and the expansion of our down town up-lighting. Further, we have converted to renewable solar power for City buildings and purchased 2 electric cars for use in the City. The City has received numerous recognitions for our efforts from Management, Economic Development and Tourism publications. The feedback from our citizens has also been positive and enthusiastic by a wide margin.

Additionally, I am pursuing a strategy to finally bring the Water & Sewer Fund out of its deficit through aggressive marketing of our water. I intend to increase metered revenues without having to greatly increase production costs. My hope is that, through improved efficiencies, I can not only eliminate the fund deficit in a few years, but also reduce future water & sewer rates, thereby adding another benefit to living in Havre de Grace.

Now for my review of the City's fiscal performance for the year.

General Fund

The General Fund declined in value by over $715,000 for the year. The budget anticipated that the fund would decline by almost $500,000, which is over $215,000 less than the actual decrease. As a comparison, the fund declined by over $240,000 last year.

Overall, revenues were over $525,000 less than anticipated but almost $1.2 million more than last year.

- Property and income taxes were over $215,000 more than anticipated and almost $315,000 more than last year.

- Renovations to the Opera House continued during the year and grant reimbursements were over $815,000 more than last year. The renovations were not completed as expected and, as a result, grants were over $915,000 less than anticipated by the budget. I believe that most of this is due to timing and we will rebound in 2017.

The City spent over $310,000 less than anticipated by the budget but almost $1.7 million more than it spent last year.

- Personnel costs were over $125,000 above both budget expectations and what was spent last year. The increase can be attributed to the City having to fund the Sworn Officer pension trust fund after several long-term officers retired over the past few years.

- Other operating costs were over $90,000 more than budget expectations and over $200,000 more than last year over the same period. Unexpected building maintenance and investment in Information Technology make up most of the additional spending.

- Capital spending was over $525,000 below budget expectations and over $1.3 million over last year as we made strategic investments in the Opera House, the Promenade, downtown lighting and park improvements.

Water and Sewer Fund

The Water & Sewer Fund suffered a deficit of $75,000 for the year. The fund was expected to earn almost $150,000 in the budget. By comparison, the fund suffered a deficit of over $800,000 last year.

Revenues were almost $285,000 more than anticipated by the budget and over $1.1 million more than earned over last year.

- Metered revenues were almost $335,000 above expected levels and almost $1 million more than last year. Overall demand for Water & Sewer services increased a cumulative 1.0% compared to last year. The increased usage is attributable to industrial, multi-family and residential usage, with only commercial customers showing a decline in usage this year. Increased metered revenues can also be attributed to the debt service fee enacted this year.

- New development fees lagged behind budget estimates, resulting in connection fees being over $90,000 below budget expectations and over $55,000 less than last year. Additionally, the standard water capital cost recovery fees were reduced from $8,000 to $4,000 per connection in an effort to stimulate development, contributing to the deficit.

Water & Sewer Fund spending was over $500,000 above budgeted levels, and $380,000 above last year.

- Personnel costs were almost $200,000 below budget estimates and over $260,000 less than those incurred last year. A reduction in staffing levels caused this decline.
- Operating costs were over $500,000 above budget and over $390,000 above last year. The increase in costs can be attributed to extensive maintenance and repair at the water treatment plant.
- Capital costs exceeded the budget by $200,000 and also exceeded last year's spending by over $250,000. Major repairs to the water treatment plant and equipment caused this overage.

Marina Fund

The Marina Fund earned an almost $40,000 operating profit for the year, which was comparable to the $30,000 profit earned last year. The earnings exceeded budget expectations as the fund was projected to lose over $70,000.

Revenues exceeded budget expectations by over $25,000 and were $2,500 less than last year.

- Fuel sales exceeded both budget estimates, by over $15,000, and last year, by almost $8,000.
- Slip and ramp fees exceeded budget estimates by over $7,000 but declined by over $10,000 compared to last year

Spending, meanwhile, was less than budgeted by over $85,000, and last year's levels by over $10,000.

- Fuel purchases were less than budget expectations by over $30,000 as prices declined throughout the year.
- Facility operating costs were over $35,000 less than the budget but almost $5,000 more than last year.
- Personnel costs were over $15,000 less than budget and over $12,000 less than last year for the same period.

Other Funds

The City transferred over $50,000 into the reserve during the first quarter and the fund is at its $1.29 million legislative target.

The RAD loan program earned over $13,000 in interest and collected over $57,000 in loan payments. As a result it has over $390,000 available for additional lending.

The Promenade Fund has over $20,000 available to maintain the Promenade. Permit fees generated $6,000 for the year. The majority of this fund was used to rehabilitate the promenade.

Critical Area Tax receipts were under $45,000 and $85,000 was used for approved efforts, making almost $300,000 available for future qualified Chesapeake Bay restoration projects.

Slip User Fees were almost $55,000 for the year and almost $220,000 has been used for public safety projects, leaving $175,000 available for future waterfront improvement projects.

The Community Center Fund earned almost $55,000 for the year, and a balance of over $40,000 is available for operations and future repairs. The City has contracted to replace the roof on the Center and anticipates using the remaining balance in this fund to do so.

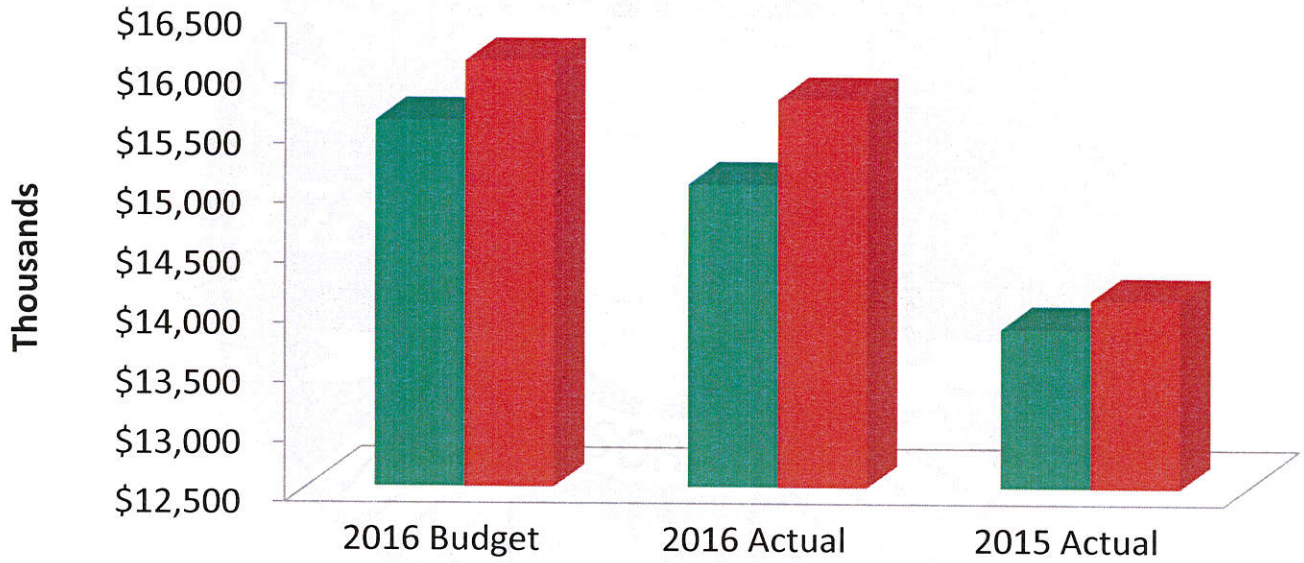
The Abandoned Property Restricted Fund collected over $10,000 in awards and has spent almost $90,000 for Police special projects through the end of the quarter and almost $70,000 is available for future Police projects.

The Forest Conservation Fund has had no activity during the quarter and a little over $700 resides in the Fund for "green" projects.

Fiscal 2016 Financial Results

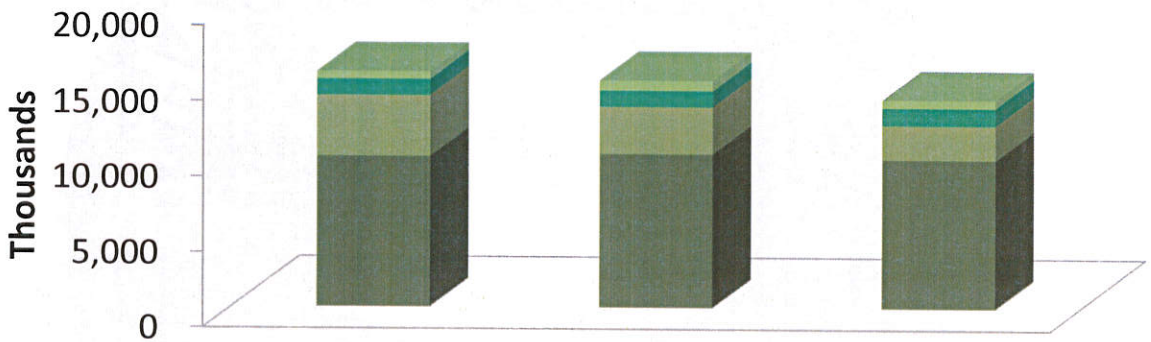
Through June 30, 2016

General Fund 1 Financial Results



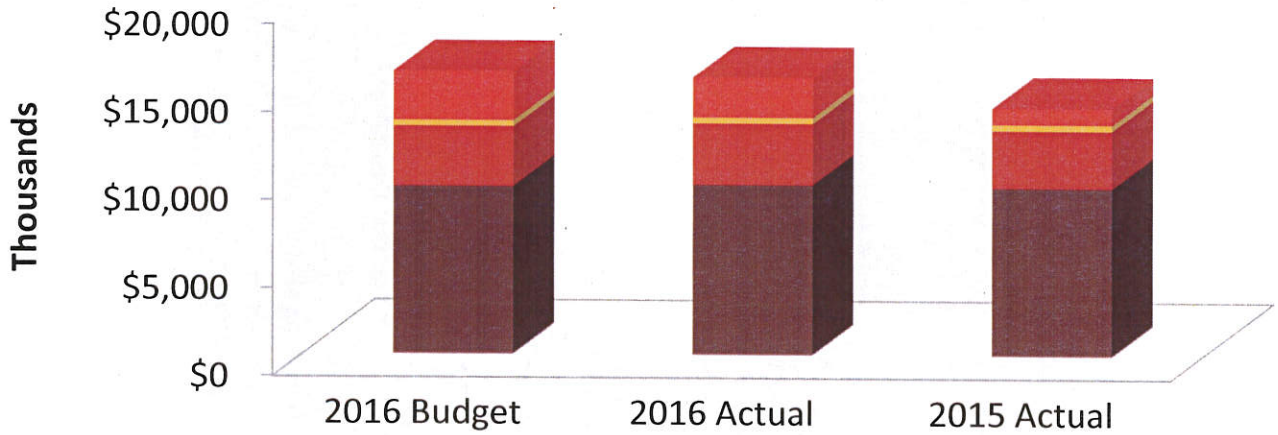
	2016 Budget	2016 Actual	2015 Actual
Revenues	$15,561	$15,033	$13,842
Expenditures	$16,061	$15,749	$14,083

General Fund 1 Revenues



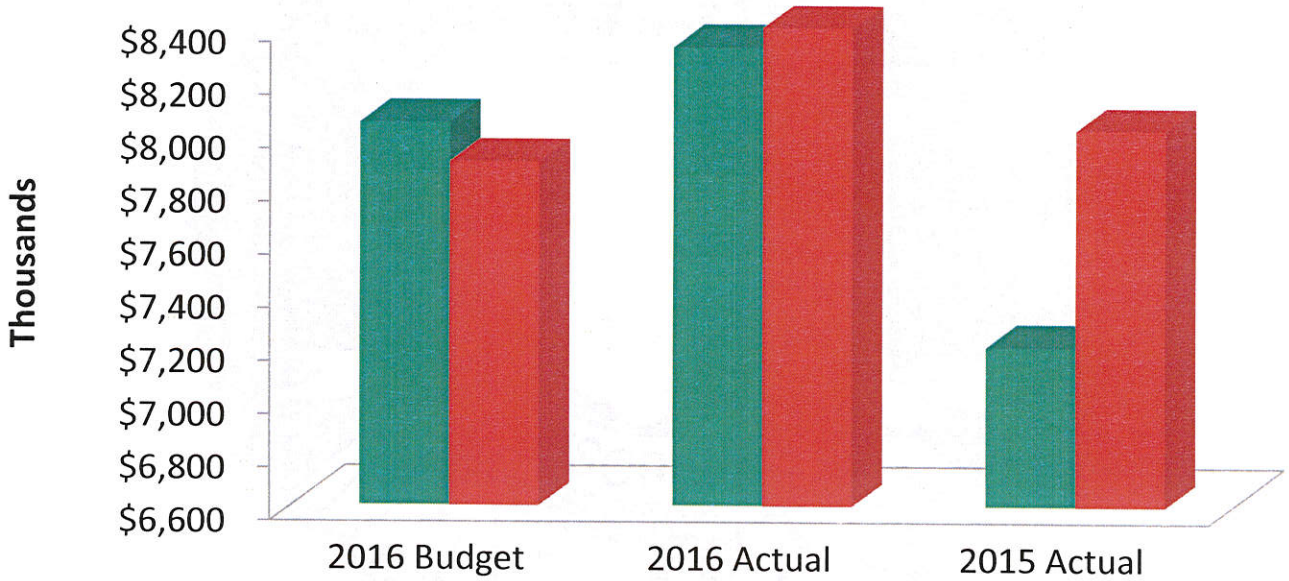
	2016 Budget	2016 Actual	2015 Actual
Fees & Misc	528	697	550
Dist. Exp.	1,064	1,064	1,148
Gov't/Grants	3,996	3,080	2,263
Taxes	9,975	10,193	9,880

General Fund 1 Expenditures



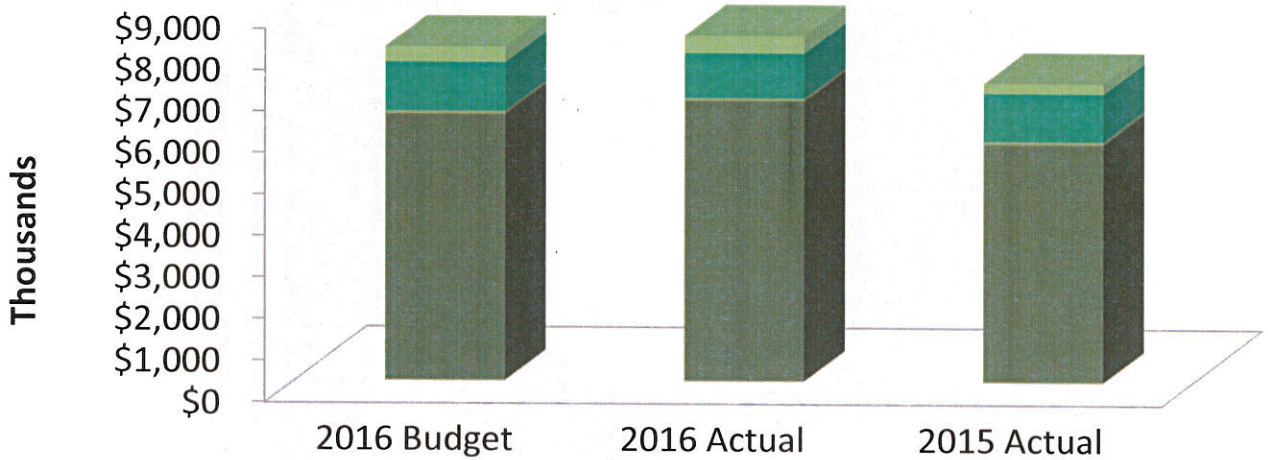
	2016 Budget	2016 Actual	2015 Actual
Capital	$2,798	$2,270	$938
Debt	$353	$351	$345
Operating	$3,431	$3,522	$3,316
Personnel	$9,479	$9,606	$9,484

W&S Fund 9 Financial Results



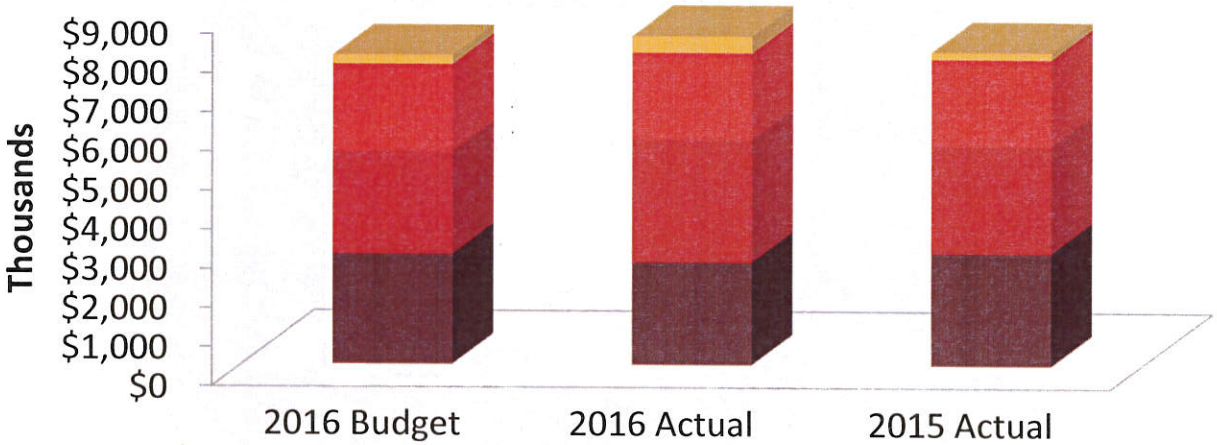
	2016 Budget	2016 Actual	2015 Actual
Revenues	$8,039	$8,323	$7,204
Expenditures	$7,893	$8,398	$8,018

W&S Fund 9 Revenues



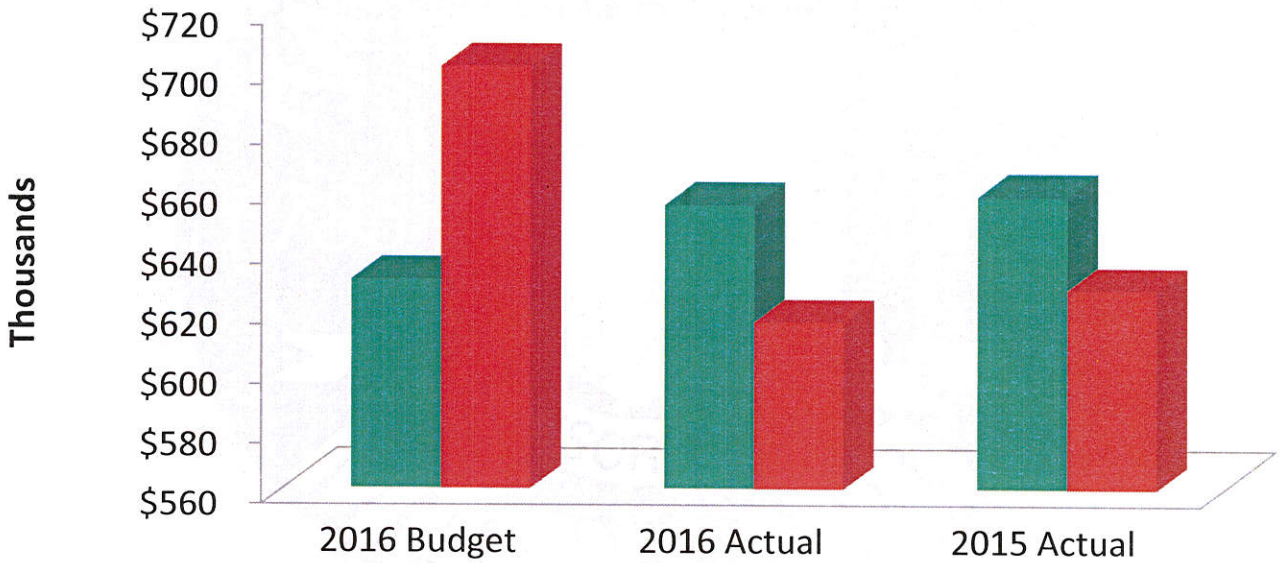
	2016 Budget	2016 Actual	2015 Actual
Misc. Fees	$384	$428	$251
Growth	$1,180	$1,087	$1,144
Grants	$68	$68	$68
Treatment	$6,407	$6,740	$5,741

W&S Fund 9 Expenditures



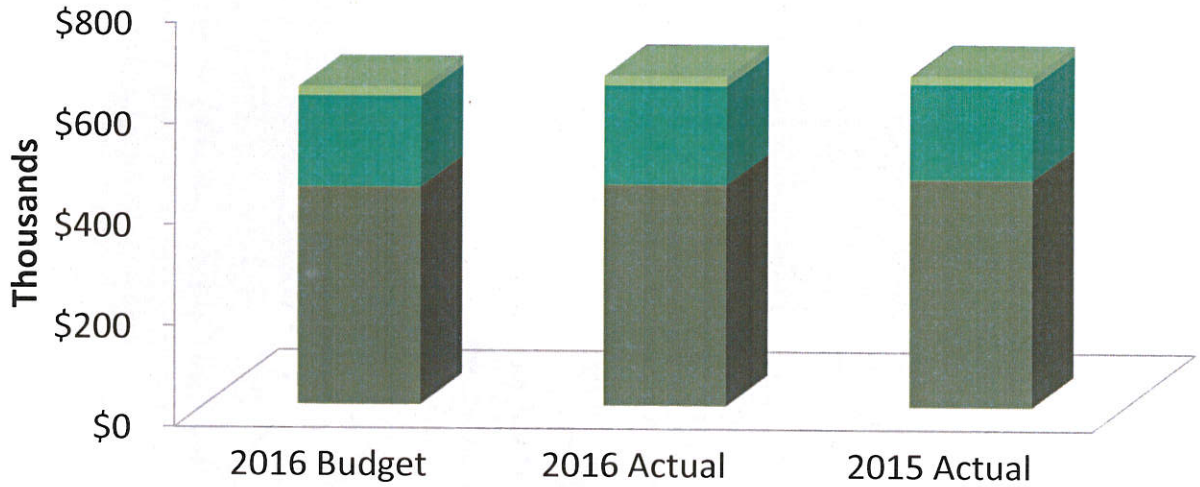
	2016 Budget	2016 Actual	2015 Actual
Capital	$222	$422	$171
Debt	$2,237	$2,225	$2,228
Operating	$2,621	$3,132	$2,737
Personnel	$2,813	$2,620	$2,882

Marina Fund 8 Financial Results



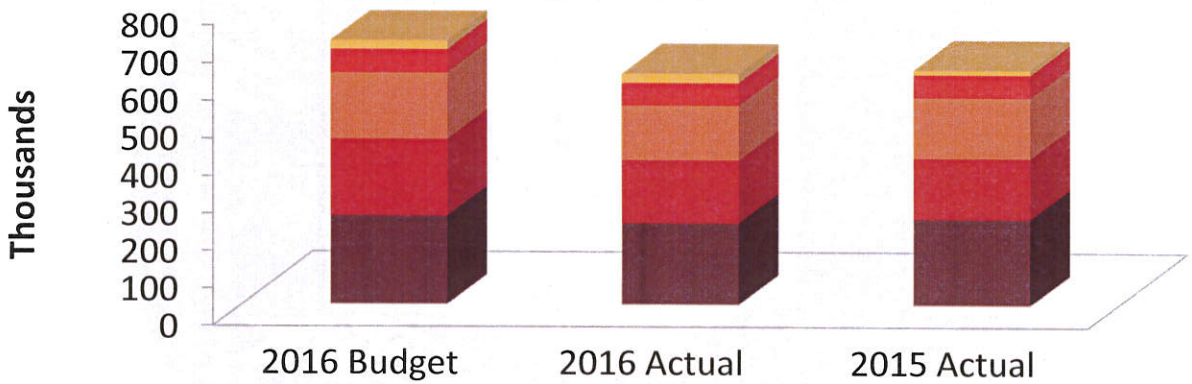
	2016 Budget	2016 Actual	2015 Actual
Revenues	$630	$655	$658
Expenditures	$701	$616	$627

Marina Fund 8 Revenues



	2016 Budget	2016 Actual	2015 Actual
Misc.	$19	$21	$19
Fuel Sales	$179	$195	$187
Rent/Fees	$432	$439	$452

Marina Fund 8 Expenditures



	2016 Budget	2016 Actual	2015 Actual
Capital	23	24	12
Debt	62	61	61
Fuel Cost	177	146	162
Operating	205	168	163
Personnel	235	217	229