



INTER - CITY MEMORANDUM

To: Havre de Grace City Council and Citizens
From: Mayor William T. Martin
Date: November 7, 2016
RE: Fiscal 2017 First Quarter Financial Results

I am pleased to present the financial performance of our City for the first quarter of fiscal 2017. During the 1st quarter, we have focused our efforts on improving and expanding our parks, and sponsored numerous events to attract visitors and residents to our many venues. I continue to move the City forward and market Havre de Grace as a great place to live, work and play. I am also excited about recent upturns in development and growth and I strongly believe that continued investment in the City will lead to significant economic growth.

During a recent Council meeting, a recommendation that we include more information on trends in the presentation. I have added monthly trend presentations for revenues and spending for the 3 major funds and incorporated broad observation on those trends in my report. The charts present the current budget and actual results by month through the end of the quarter. The charts also present last year and average for the past 5 years for all 12 months. I hope you find this additional information informative and worthwhile. Please feel free to contact my Director of Finance, Mr. George M. DeHority or me if you have any additional suggestions that will improve the presentation.

General Fund

The General Fund increased in value by \$3.14 million through September. The budget anticipated that the fund would increase by \$3.17 million, which is \$30,000 more than the actual increase. As a comparison, the fund increased \$2.92 million over the same quarter last year.

Overall, revenues were \$20,000 more than anticipated and \$380,000 more than the same quarter for last year.

- Property and income taxes were \$10,000 more than anticipated and essentially the same as the amount collected last year.
- The City received the \$290,000 annual grant portion of its Highway User revenues from the State in September. As a result, government

contributions are higher than last year as the grant component was not received until October last fiscal year.

The City receives the largest portion of its revenues in September and December as real property taxes are collected. Consequently, the end of the 1st quarter is historically when the fund balance peaks. Expenditures will exceed revenues for the remainder of the year and the Fund Balance are expected to steadily decline.

The City spent \$60,000 more than expected for the quarter and \$170,000 more than it spent last year through the end of the quarter.

- Personnel costs were essentially at budget expectations but \$370,000 more than spent last year for the same period. The increase can be attributed to there being 1 additional pay period in the current fiscal year and to the 1st quarterly performance bonus awarded during the budget process.
- Operational spending was \$25,000 more than budget expectations and \$200,000 more than that spent in the prior year. The primary cause of the increase over last year was the timing of the \$175,000 contribution to the Susquehanna Hose Company. This was made in September this fiscal year but not until November of last fiscal year. It is a timing difference that will correct itself during the 2nd quarter.
- Capital spending was \$30,000 over budget expectations but \$420,000 less the same quarter of last year. The decline in spending from last year is due to timing of the Opera House renovations.

General Fund spending has less predictable fluctuations than revenues. The primary causes of significant spending fluctuations include; debt service payments, the 2 months a year with a 3rd payroll, and the timing of capital project spending.

Water and Sewer Fund

The Water & Sewer Fund earned a profit of \$990,000 for the quarter. The fund was expected to earn an estimated profit of \$850,000 in the budget and a \$480,000 profit was earned by the fund for the same quarter last year.

Quarterly revenues were \$180,000 more than anticipated by the budget and \$570,000 more than the same period last year.

- Metered revenues were \$50,000 above expected levels and \$240,000 more than the same quarter for last year. Overall demand for Water & Sewer services increased 11.9% compared to last year. Increased metered revenues over last year can be attributed to this increase in demand.

- New development exceeded budget estimates, resulting in connection fees being \$100,000 over budget expectations and \$250,000 more than the same quarter for last year.

Monthly water revenues show that the August/November/February/May cycle is the largest revenue period. Further, there is only a very slight decrease in revenues during the winter months and consumption does not appear to be seasonal in nature.

Water & Sewer Fund spending was \$40,000 above budgeted levels, and \$60,000 above the same quarter for last year.

- Personnel costs are \$30,000 below budget and \$20,000 above those incurred last year. The additional pay period and performance bonus has more than offset the reduction in manpower in the current year.
- Operating costs were \$70,000 above budget and \$100,000 above the same quarter for last year. The increase in costs appear to be due to increase in production, affecting all areas of the operation.
- Capital spending is proceeding as expected by the budget and is \$50,000 less than spending over the same period last year. There was significant unexpected valve repairs last year and, to-date, they have not been repeated this year.

Water & Sewer Fund spending is impacted by the same factors as those affecting spending in the General Fund; 3 payroll months, capital project timing and debt service payments. There is a significant increase in February as the primary Wastewater Treatment Plant Debt Service payment is made during that month.

Marina Fund

The Marina Fund incurred an \$80,000 operating loss through the end of the quarter. The loss was projected to lose \$20,000 by the budget and had a \$40,000 operating loss last year for the same period.

Revenues were \$10,000 below budget expectations through the end of the quarter and \$10,000 lower than last year.

- Fuel sales were \$10,000 below both budget expectations and last year sales.

Marina revenues are received primarily between November and January. This is when the annual slip contracts are paid for. There is also a noted decline in revenues over the winter months as fuel sales also decline due to decreased boating activity.

Spending, meanwhile, exceeded the budget by \$40,000, and also exceeded prior year levels by \$20,000.

- Personnel costs exceeded both budget and prior year amounts by \$10,000. As with the prior 2 funds, the additional pay period and performance bonuses caused the excess and the variance from budget should correct itself next quarter.
- Fuel purchases exceeded the budget by \$50,000 and last year purchases by \$20,000. Fuel is purchased in bulk and the fluctuations are expected to correct themselves over the course of the year.
- Repair and maintenance costs were \$10,000 less than the budget through the end of the quarter.

In addition to the impact of 3 pay period month spending noted earlier, Marina spending declines through the 2nd and 3rd quarters as boating activity is negligible during the winter months.

Other Funds

The City transferred \$84,200 into the reserve during the quarter and the fund is at its \$1.38 million legislative target.

The RAD loan program earned \$2,500 in interest and collected \$9,400 in loan payments through the end of the quarter. As a result it has \$400,000 available for additional lending.

The Promenade Fund has \$22,700 available to maintain the Promenade. Permit fees generated \$1,200 for the quarter.

Critical Area Tax receipts were \$41,300 through the end of the quarter, almost \$339,700 available for future qualified Chesapeake Bay restoration projects. Of this amount, \$82,300 has already been committed in the budget.

Slip User Fees were \$15,500 for the quarter and \$150,000 was transferred in accordance with the budget. As a result, \$41,300 is available for waterfront improvement projects. \$25,000 has already been committed for contributions for fire and rescue services by the budget.

The Community Center Fund earned \$4,400 for the quarter, and a balance of \$45,600 is available for operations and future repairs.

The Abandoned Property Restricted Fund had no activity for the quarter and \$68,500 is available for Police special projects.

The Forest Conservation Fund has had no activity during the quarter and \$700 resides in the Fund for “green” projects.

The seal of the State of Maryland is centered in the background. It features a circular design with a purple outer ring containing the text "HAVRE DE GRACE" at the top and "MARYLAND" at the bottom. Inside the ring is a shield with a white lighthouse on a brown base, a blue sky, and a blue sea. Above the shield is a brown eagle with wings spread. Below the shield is a white banner with the Latin motto "DEFENSOR PATRIAE" and a brown cannon. The years "1785" and "1878" are also visible on the shield.

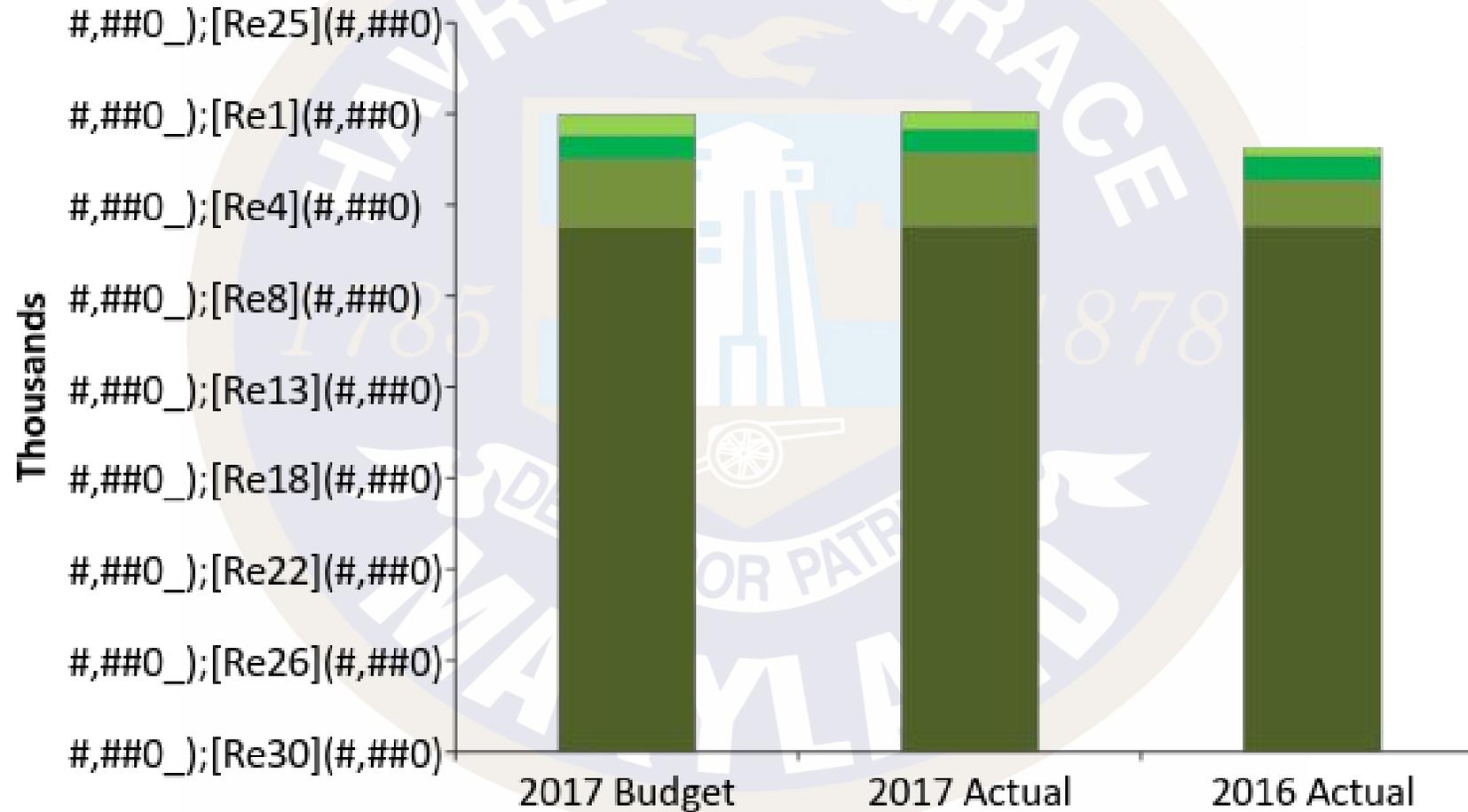
Fiscal 2017 Financial Results

Through September 30, 2016

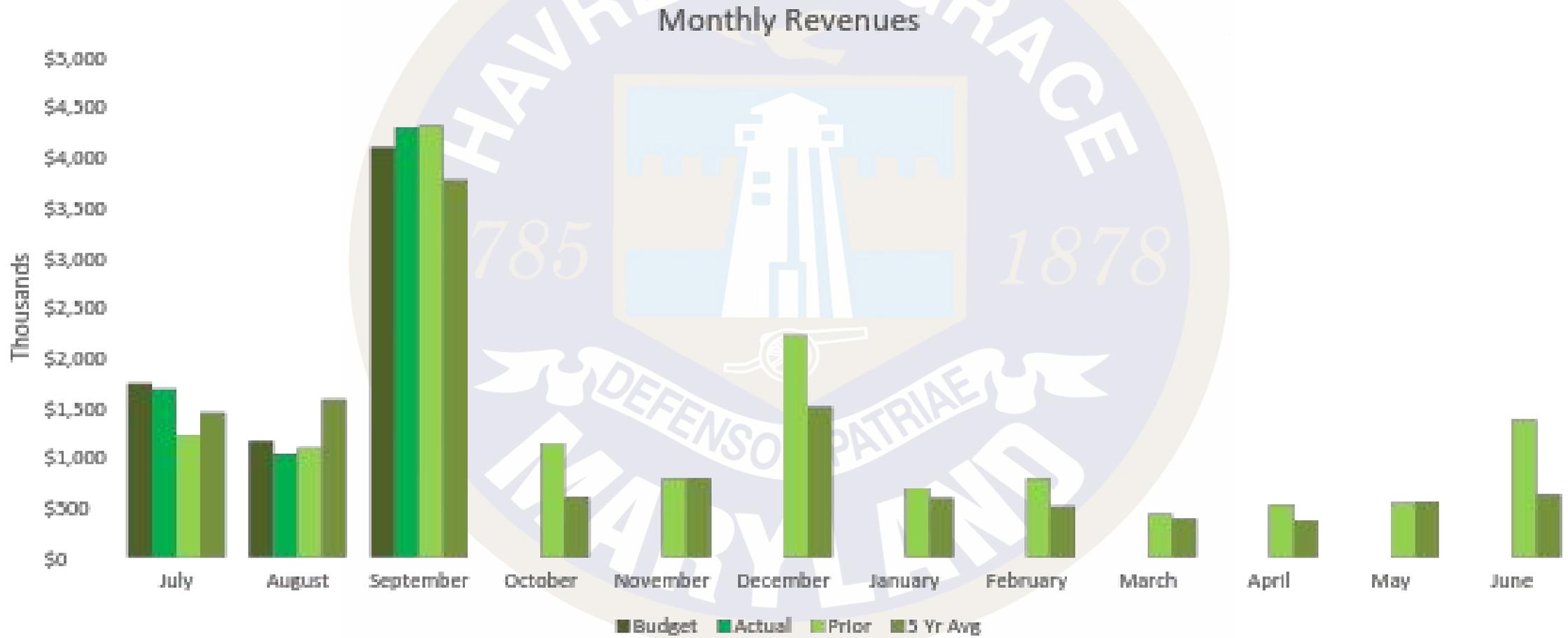
General Fund 1 Financial Results



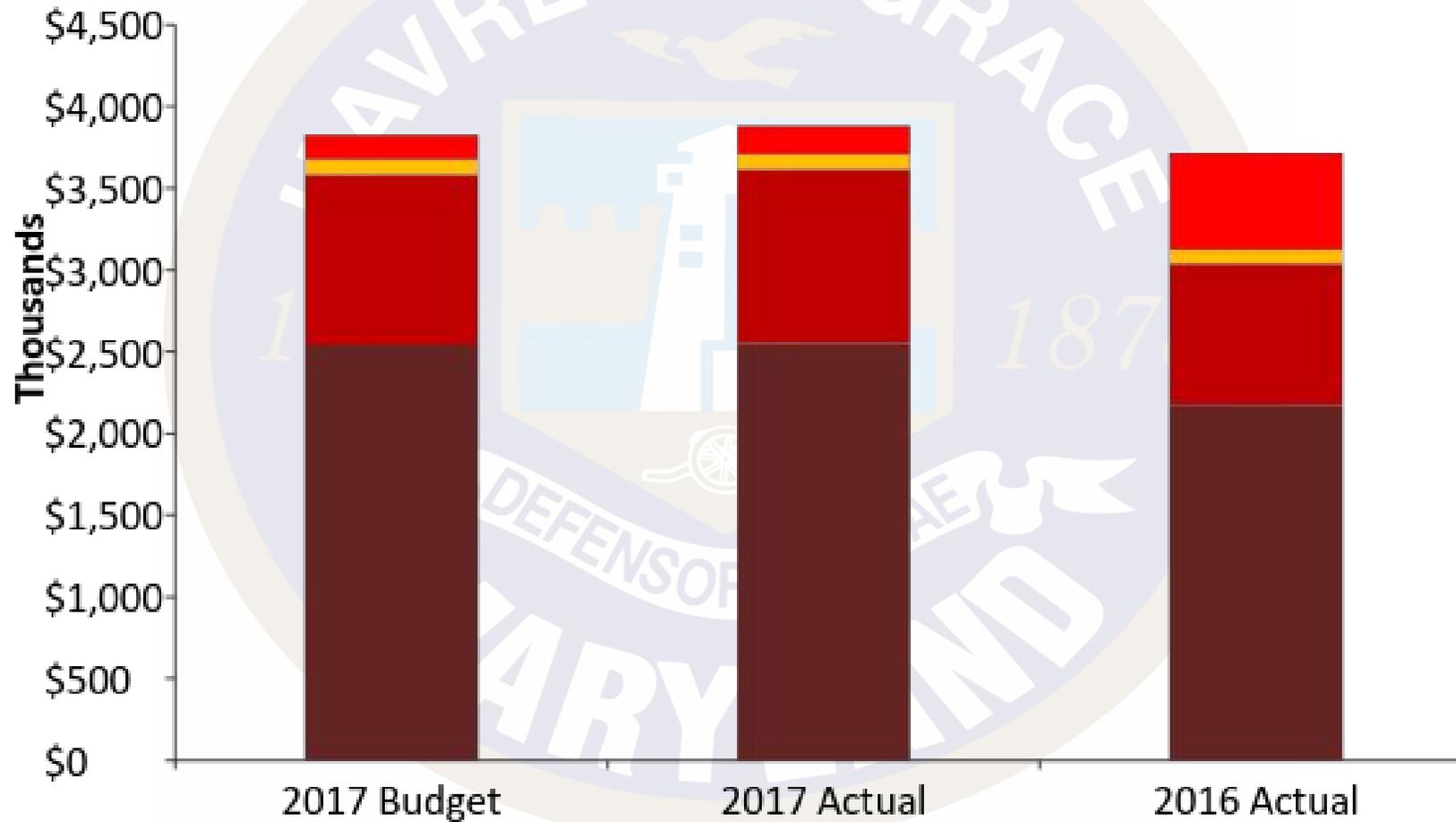
General Fund 1 Revenues



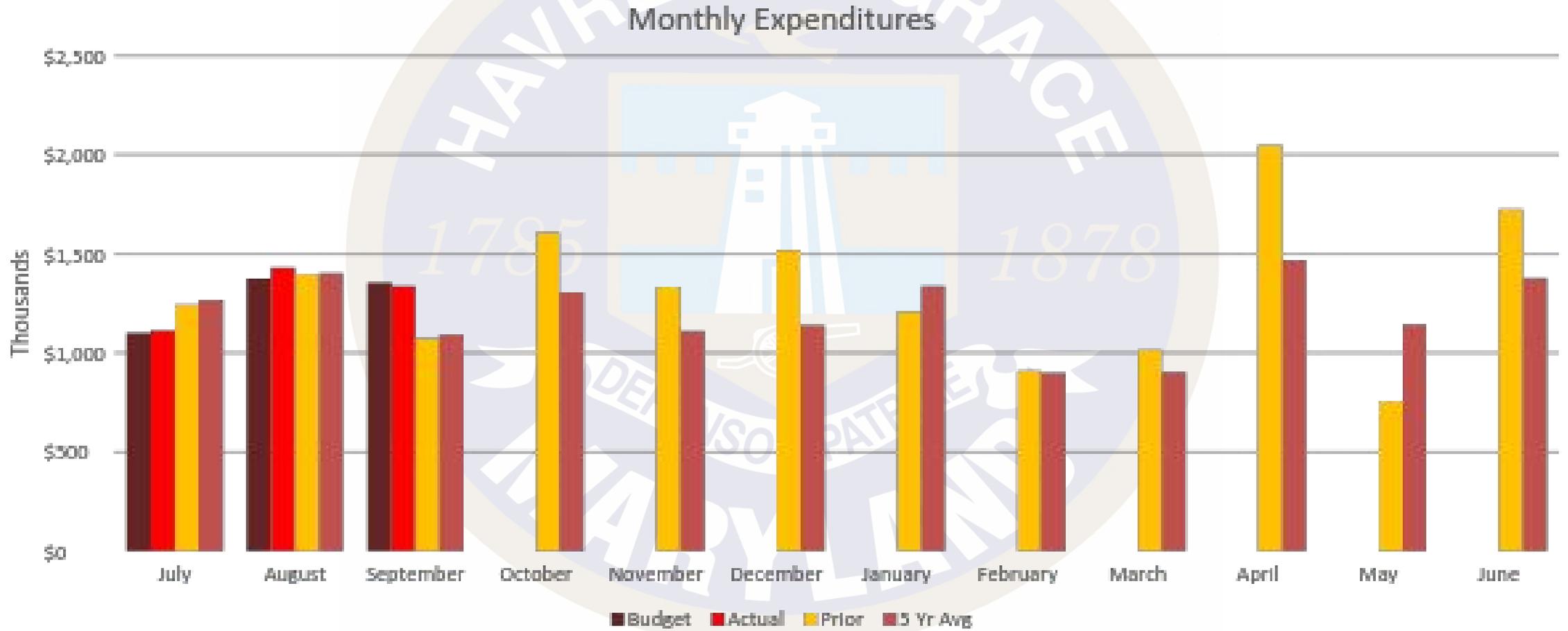
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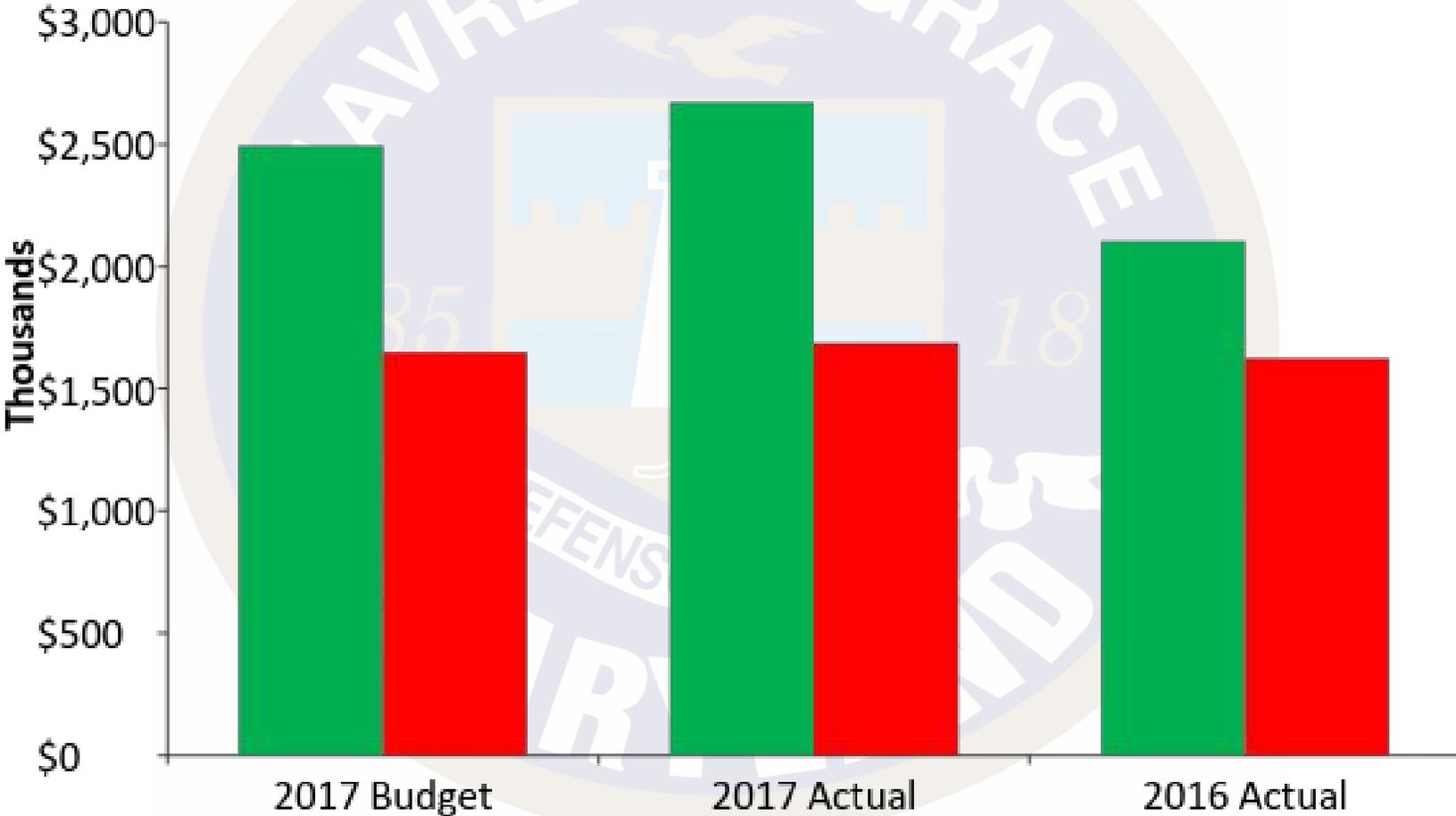
General Fund 1 Expenditures



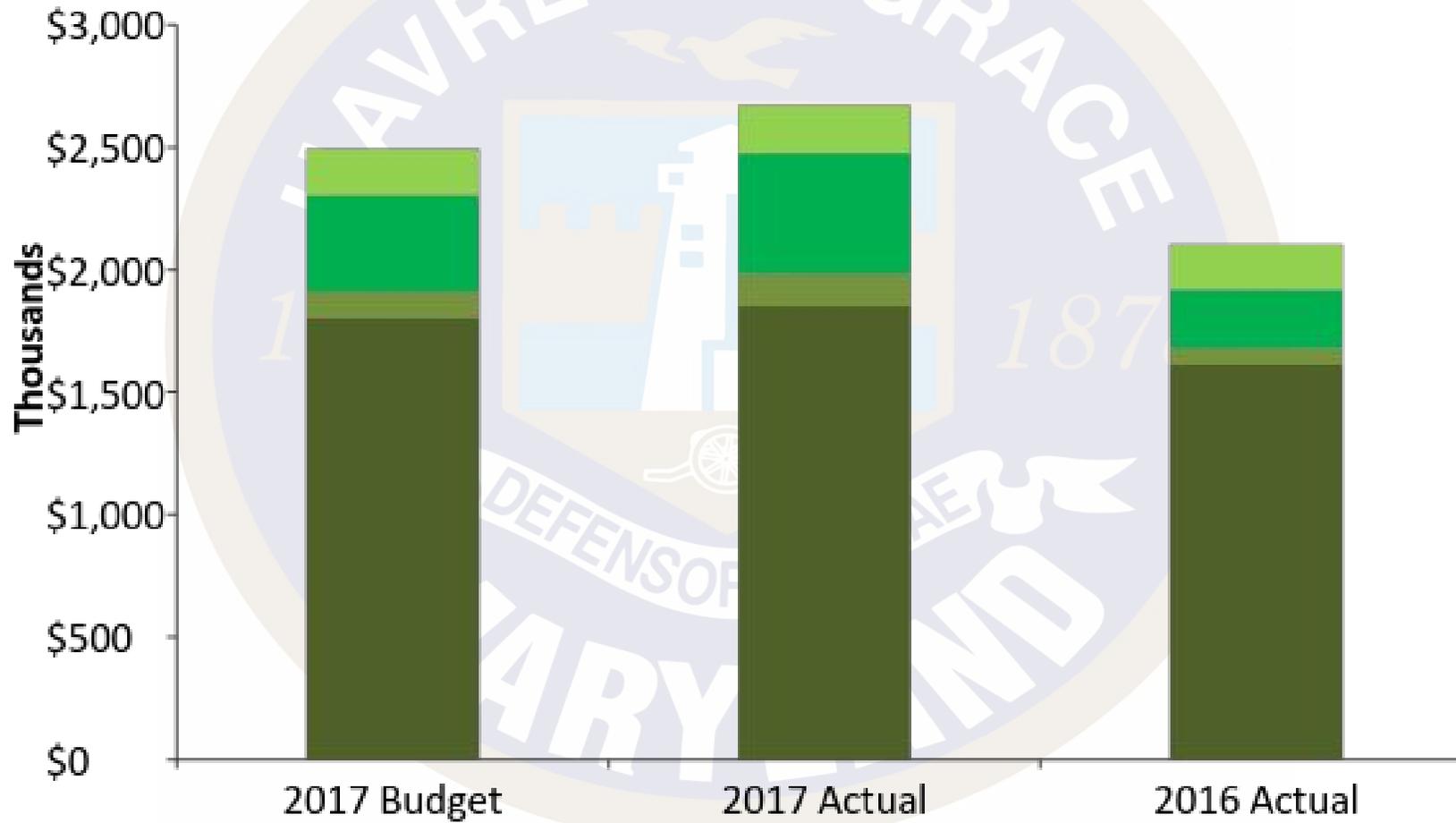
General Fund 1 Expenditures



W&S Fund 9 Financial Results

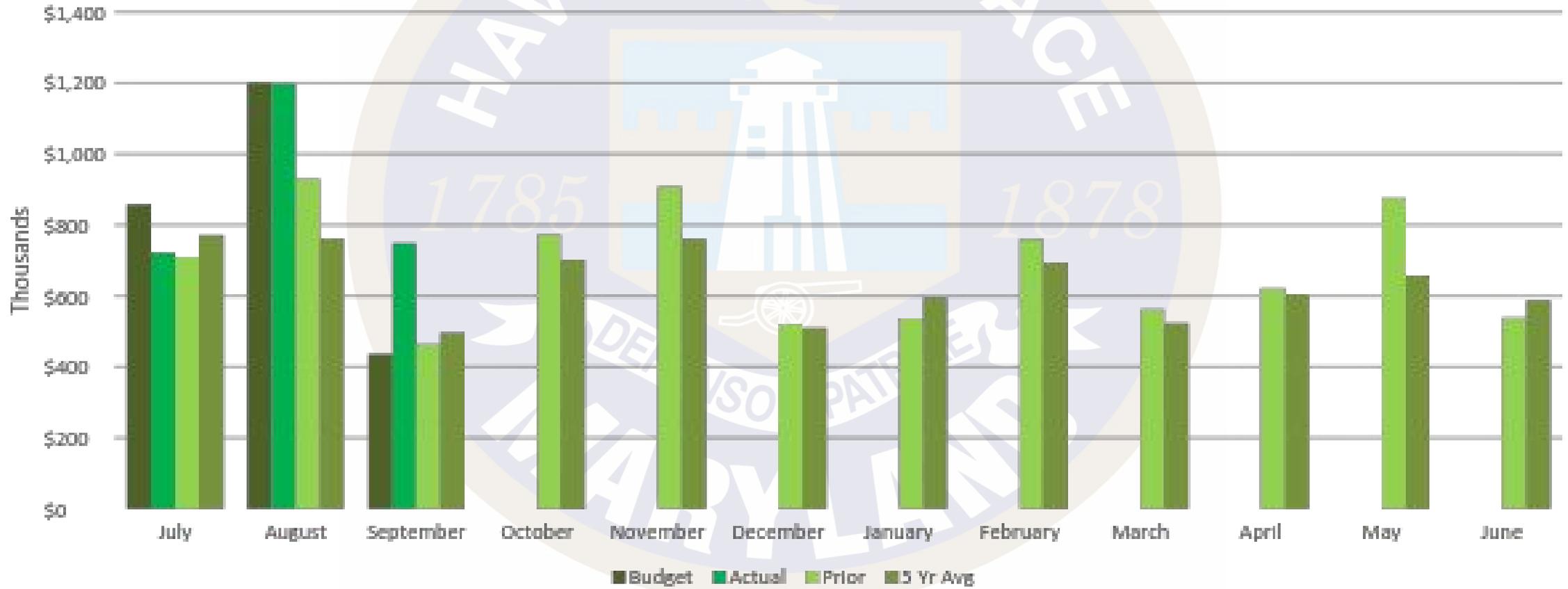


W&S Fund 9 Revenues

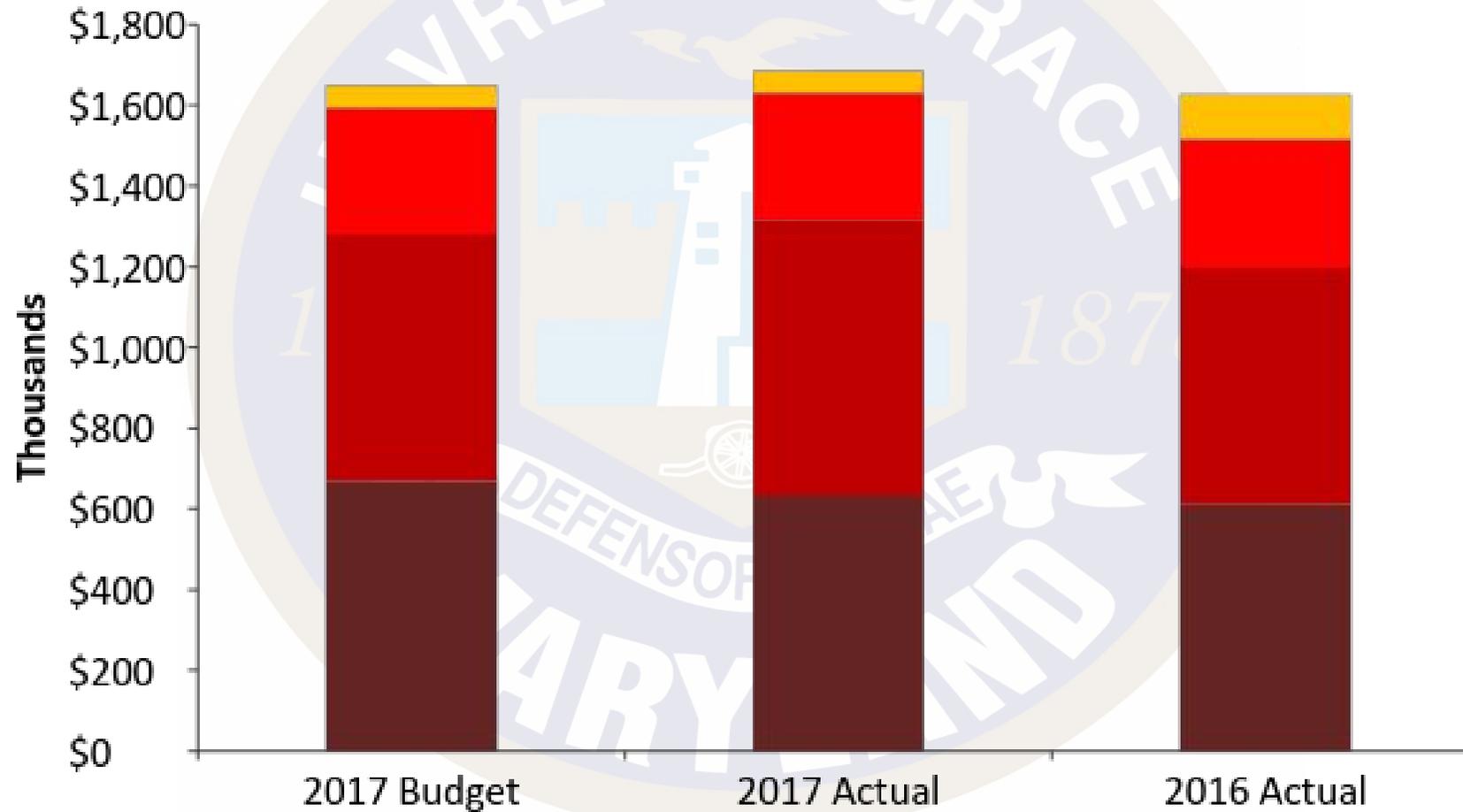


W&S Fund 9 Revenues

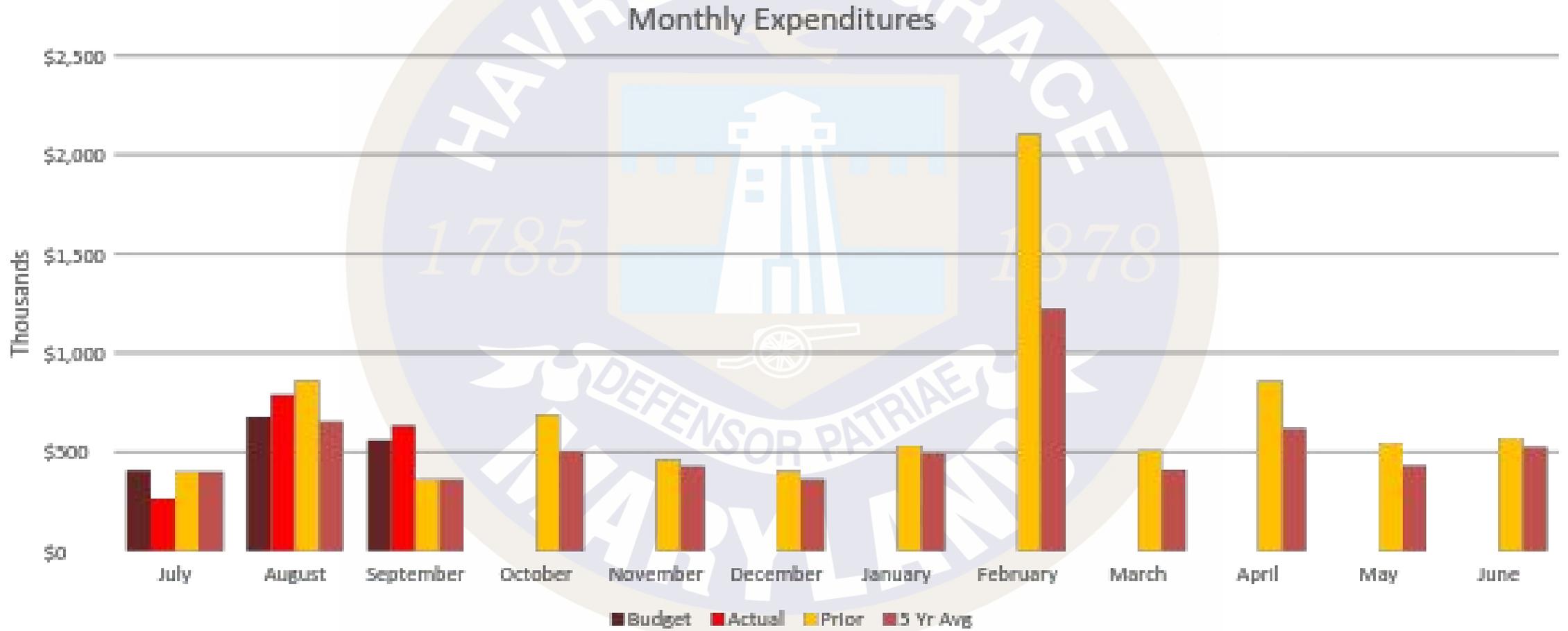
Monthly Revenues



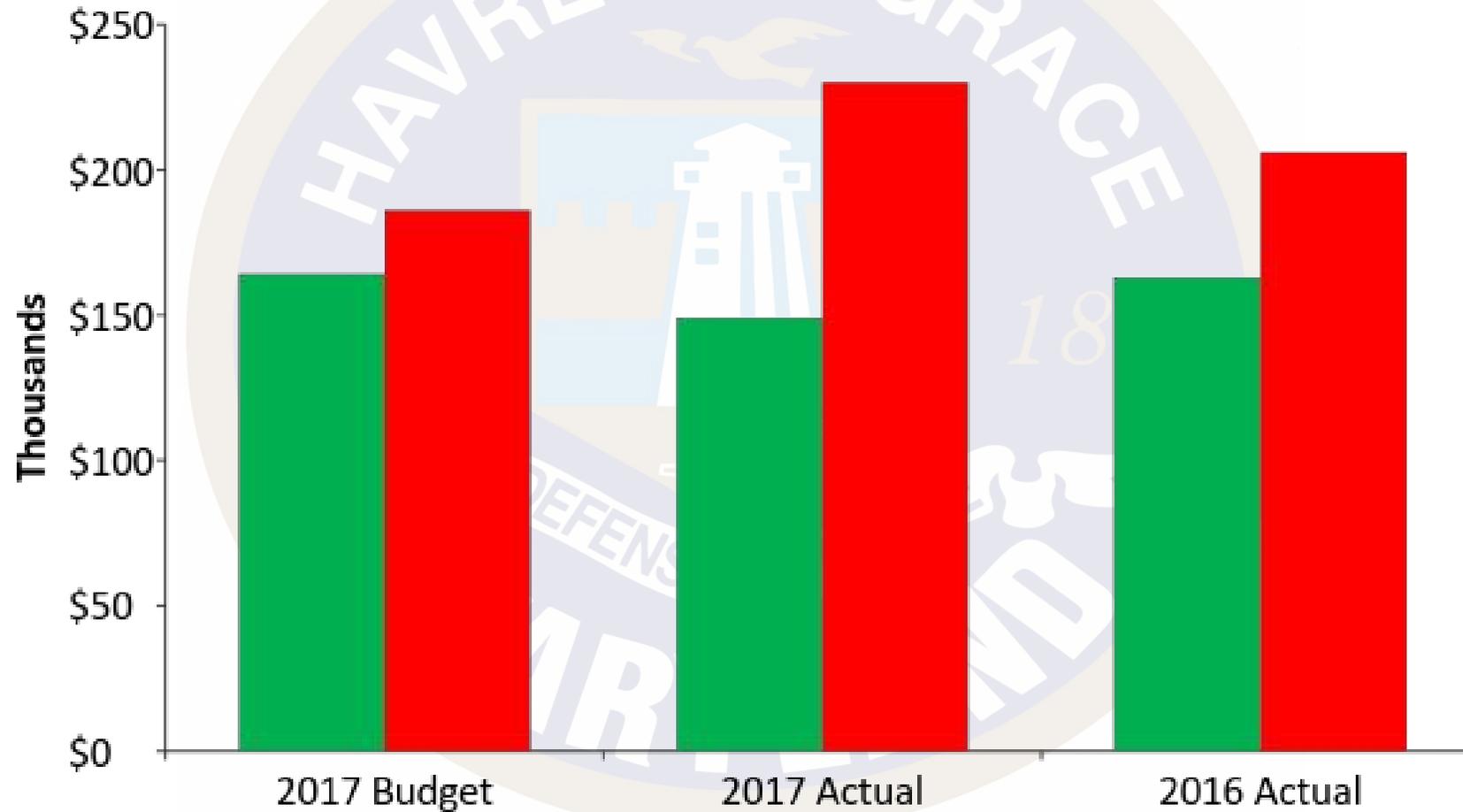
W&S Fund 9 Expenditures



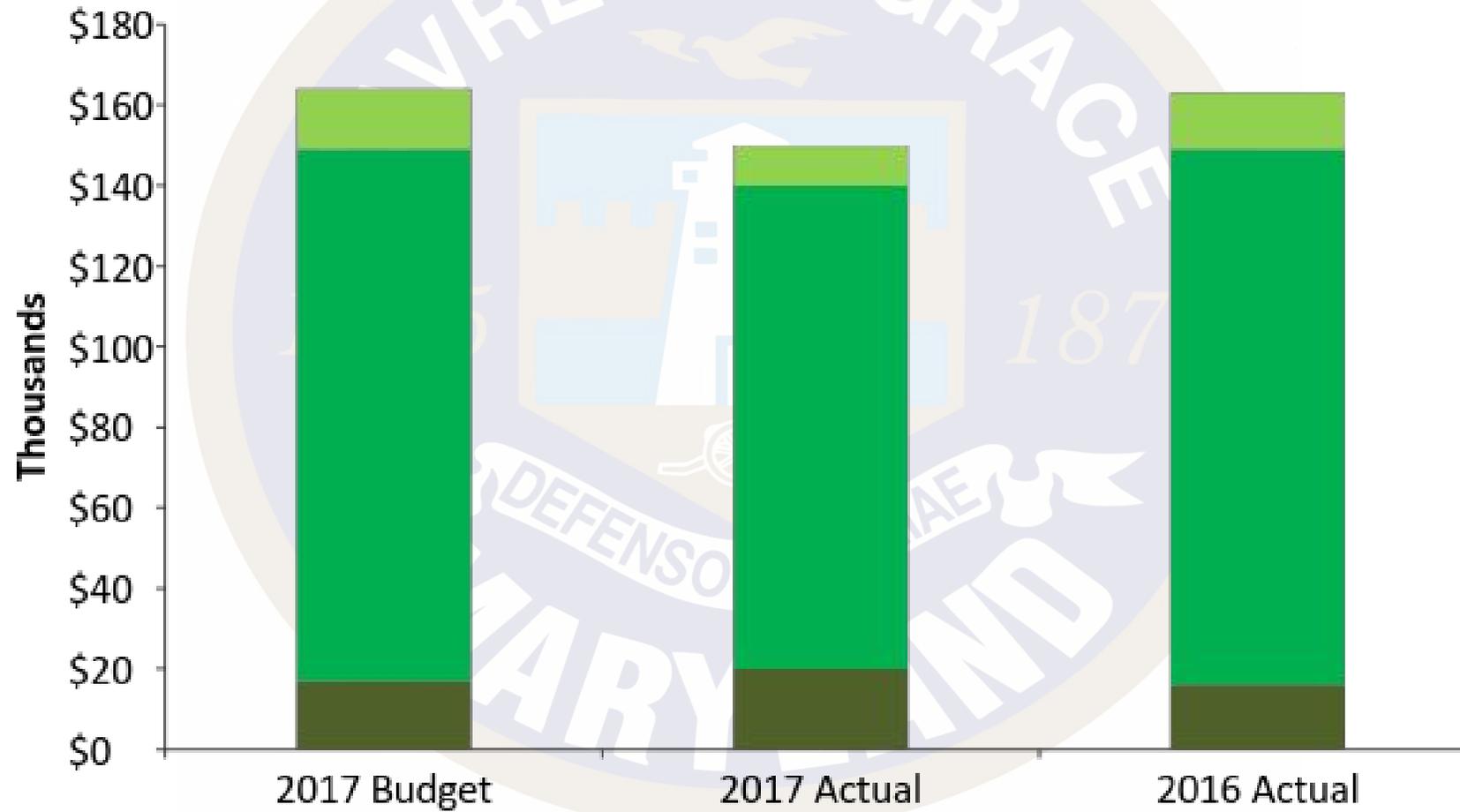
W&S Fund 9 Expenditures



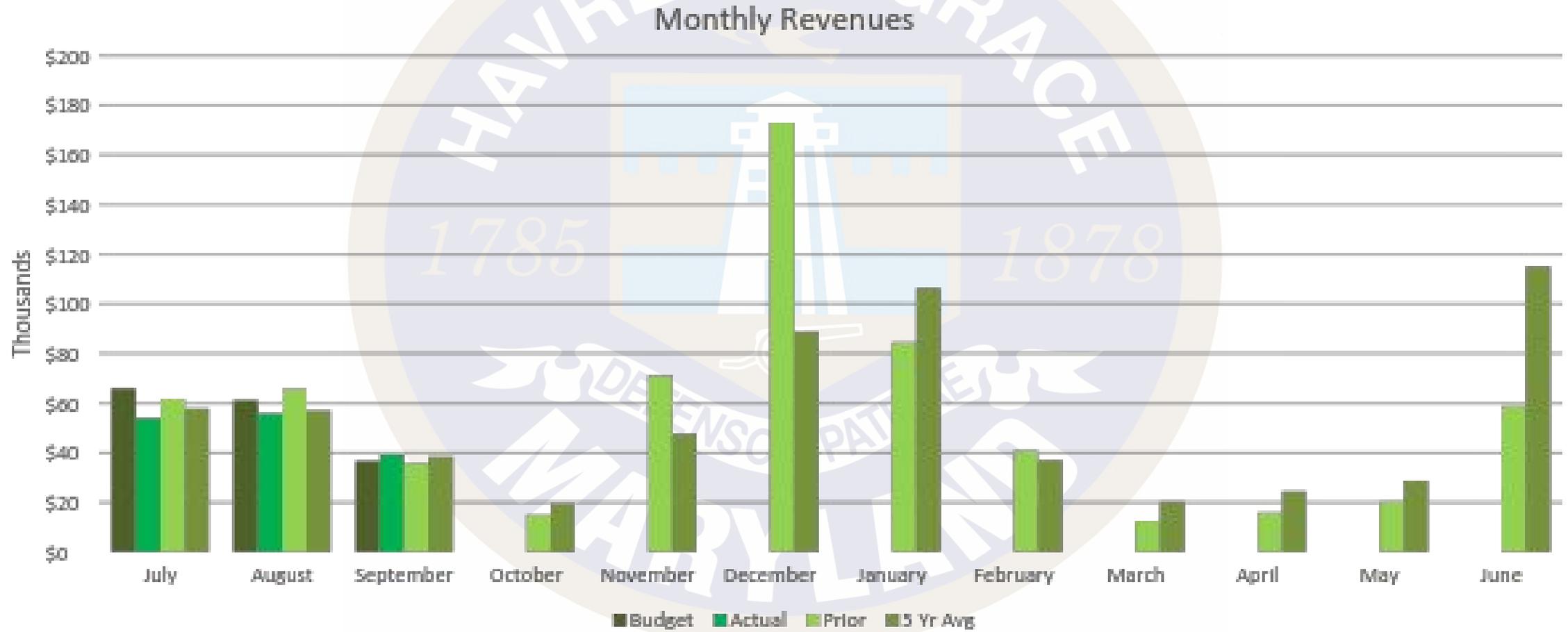
Marina Fund 8 Financial Results



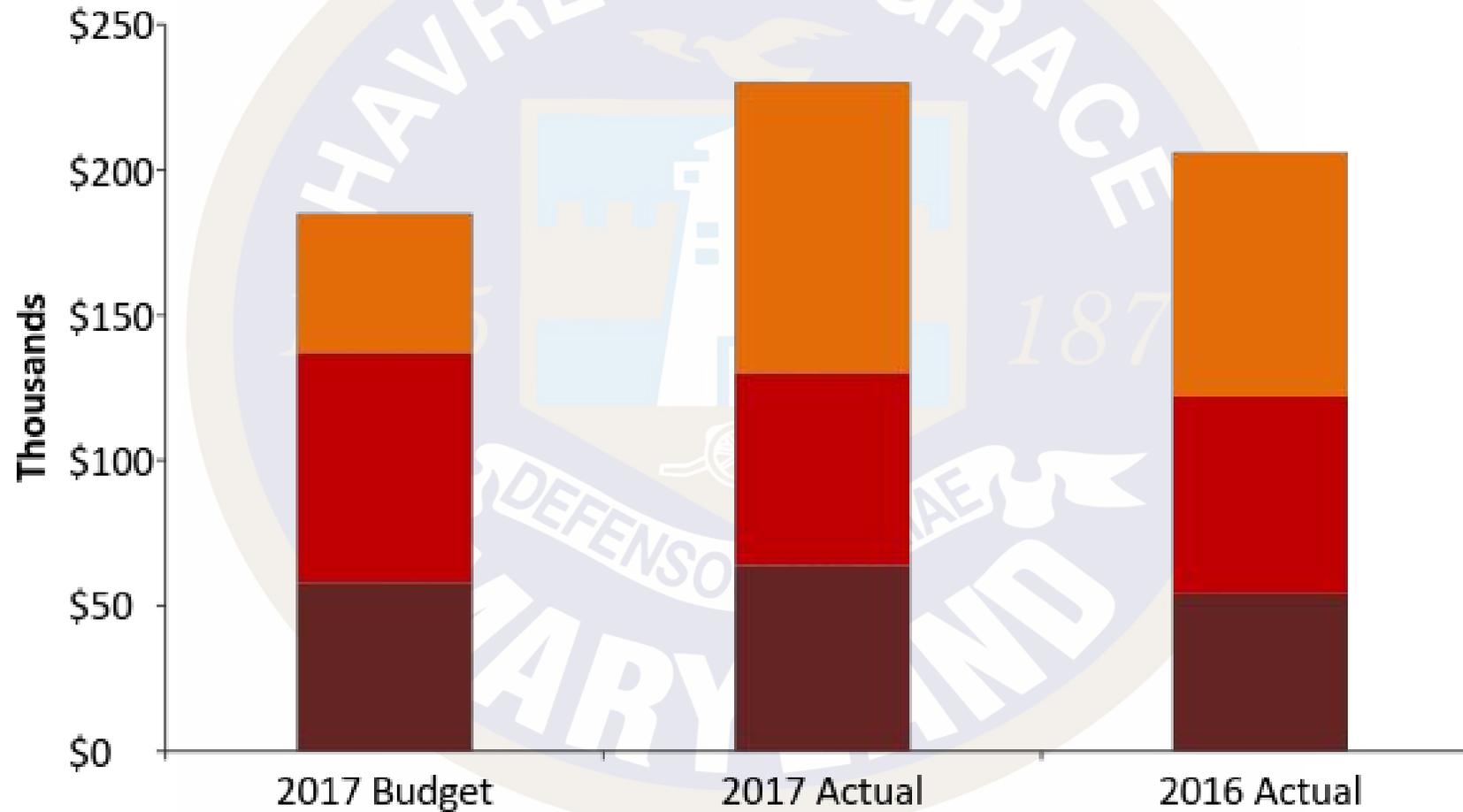
Marina Fund 8 Revenues



Marina Fund 8 Revenues



Marina Fund 8 Expenditures



Marina Fund 8 Expenditures

