

Finance Update

At September 30, 2017

Cash Position/Investments: The total Cash Position was \$3,101,338, down \$208,060 from August. Exceptional expenditures included nearly \$70k for the rebuild of Enon, and \$32k in additional water meters purchased. The Water Fund is in a negative cash position of \$28,057. In the month of October an additional expense of a water pump replacement, \$31,000, will push the Water Fund cash position down further. As the benefits from the Meter Project begin to accumulate, and the Water System Emergencies subside, the cash position will recover.

Investments: Our investments at LOGIC ended the month with a \$3,026,941 balance and earned \$3,310 in interest for the month. The LOGIC interest rate ended the month at 1.2930%, a 1.27 basis point increase.

Overall Budget Performance: All numbers reported in this presentation represent the full year budget performance, subject to adjustments from the Audit process. These numbers include most material year-end accruals; like unpaid invoices, payroll accrual for expenses incurred between the last payroll and the fiscal year-end date, fixed asset depreciation, and revenues earned but not yet received. However, there will be audit adjustments posted at the conclusion of the audit process.

General Fund Expenditures were 95.93% of budget. Two departments will require a budget amendment; the Parks Department finished at 102.39% of budget due to a transfer of personnel between Streets and Parks, and the Police Department ended at 102.06% of budget due to the unbudgeted payment of Accrued Vacation and Sick Time to Chief Sanders upon his retirement.

The Water Fund spent 98.55% of its budget for the year. The only Water Department that finished over budget was the Debt Service Department; the addition of the Long Term Note from the Water Meter Project caused interest expense to slightly exceed the budget. A budget amendment will be submitted for approval.

The Water Fund revenue numbers fell far short of the budgeted numbers, finishing at 89.32% of budget. Most of this resulted from the over estimation of the impact of water meter replacement in the initial year. Significant one-time adjustments had to be made to water accounts as a result of improperly read meters during past years. The auto-read meters will resolve this issue going forward. We will be evaluating the revenue numbers on a monthly basis to insure that the expected improvement is realized. The numbers for the first few full months under the new meter system appear to be in line with expectations. A \$22,000 write off of water accounts contributed to the revenue short-fall.

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All other funds collectively spent only 36.63% of their budget. The primary reason for this was the inability to achieve the Street-rebuild plan. The County was unable to participate in our project as much as we had hoped. The Street-plan has been extended into the 2018 budget.

Budget and Other Considerations: We have adopted our 2018 Budget based on the established structure that the City has operated under for years. The budget is a financial guideline authorized by the City Council for the execution of the City's operational plan. It is the goal of City Management to execute the City Operational Plan within the budget provided and to recommend, from time to time, improvements to the Plan that will enable the City to reduce budgeted expenditures or increase budgeted revenues. It is Council's responsibility to consider the merits of our recommendations and to approve or disapprove our recommendations based on the best interest of all of the Citizens of Everman, but especially those who have a vested interest in the success of the City. It is Council's responsibility to understand the constraints on the City's revenue sources and the need to establish adequate reserves for future City needs. With this in mind, City Management has recommended two operational changes for Council consideration; (1) the termination of the EMS department and (2) City Registration of Rent Property Owners designed to ultimately make them responsible for the water accounts on their rent properties. These operational changes will have the financial impact of saving the taxpayers of the City over \$250,000 annually. These savings will translate into a lower property tax rate for our Citizens and our Businesses over the next several years. This, in turn, will make Everman a more inviting location for prospective businesses. With the expected growth, our tax base will expand and property values will grow, increasing our Property Tax revenue while the Tax Rate will decrease.

We have an opportunity to make some changes that will benefit the City of Everman for years to come. We must be bold enough to look at changes with an objective eye and question past practices with skeptical intensity, in order to see better solutions. Remember, we are the guardians of the taxpayers' money, and we must spend that money wisely; first on the services a City must provide by law, and secondly, on the optional services that provide a reasonable financial return, and lastly, on optional services that benefit Citizens, but at a cost to the City.

Michael Gunderson

Finance Director