



# QUARTERLY FINANCIAL REPORT

GENERAL FUND

4th Quarter 2018





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## General Fund

### 4th Quarter 2018

The Quarterly Financial Report is intended to highlight the current and anticipated performance of the City's General Fund. This report is prepared by the City of Olathe's Office of Management and Budget Services.

This report is broken up into 3 sections:

**Economic Conditions** presents data on economic indicators for the City of Olathe, Johnson County, and the surrounding region. Altogether, the indicators create a composite view of the economy and can help staff forecast and financially plan for the City.

**Revenues** presents data on monies brought into the General Fund and includes a detailed breakdown of 4 major revenue categories:

- *Sales tax* is collected from both residents and non-residents who purchase goods within Olathe.
- *Property tax* is collected from real and personal property.
- *Franchise fees* are collected from electric, gas, internet, telephone, and cable service providers.
- *Fines* are collected by the city as penalties for breaking the law.

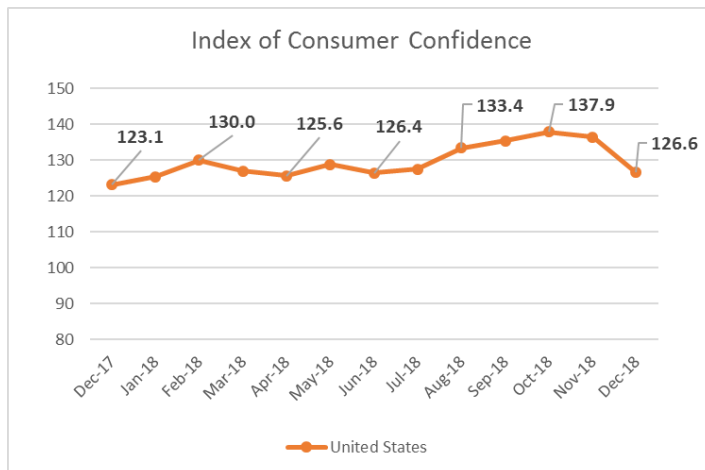
**Expenditures** presents data on current city spending from the General Fund and includes a detailed breakdown of 3 major expenditure categories:

- *Personal services* expenditures cover the salaries and benefits of those employed by the City of Olathe.
- *Contractual services* expenditures cover privately contracted goods and personnel that are provided to Olathe.
- *Commodities* expenditures cover the items used by each city department.

*As good financial stewards of Olathe, we seek to balance revenues and expenditures.*

## ECONOMIC CONDITIONS

### Consumer Confidence



From Q3 2018 to Q4 2018, consumer confidence at the national level decreased. Expectations regarding job prospects and business conditions weakened, but still suggest that the economy will continue expanding at a solid pace in the short-term.<sup>1</sup> The decline in consumer confidence is indicative of some concern that the pace of economic growth will begin to moderate in the 1<sup>st</sup> half of 2019. For example, consumer expectations regarding job availability and consumer optimism for short-term income prospects decreased slightly at the end of 2018<sup>2</sup>. Even with the recent decline, national consumer confidence is similar year over year (123.1 for December 2017 vs 126.6 for December 2018). Staff will continue to monitor economic indicators including consumer confidence throughout 2019.

<sup>1</sup> The Conference Board Press Release (December 27<sup>th</sup>, 2018)

<sup>2</sup> Ibid (December 27<sup>th</sup>, 2018)

## Significant Non-Residential Development

The City of Olathe issued 5 non-residential building permits (for New Structures/Additions over \$250,000) in Q4 2018, accounting for 19% of all non-residential building permits issued in Johnson County during Q4 2018<sup>3</sup>. Examples of recent new development in Q4 2018 include permits issued for the construction of ROKC Climbing Gym, 119<sup>th</sup> Medical Office Shell Building, and the Johnson County Courthouse.

## Unemployment

The Olathe unemployment rate for December 2018 was 2.5%. The Johnson County unemployment rate for December 2018 was 2.6%. Both the City and County continue to remain below Kansas City, state, and national averages in Q4 2018.<sup>4</sup>

## Inflation

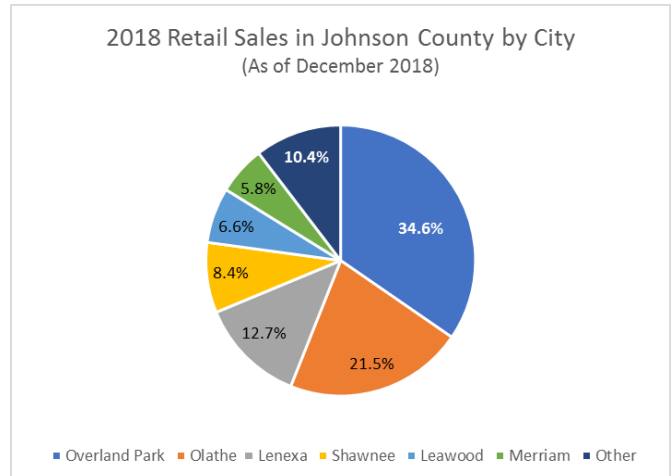
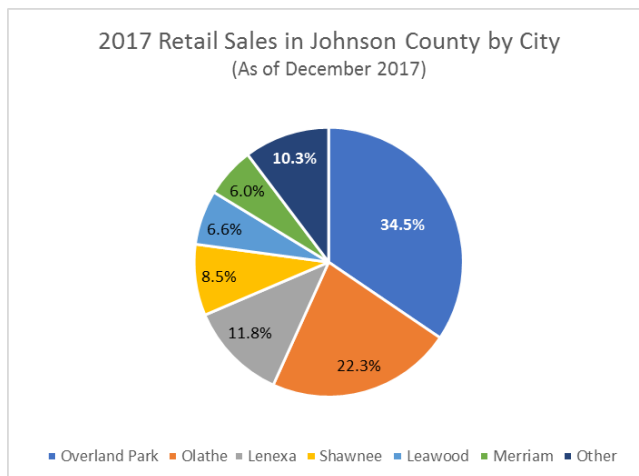
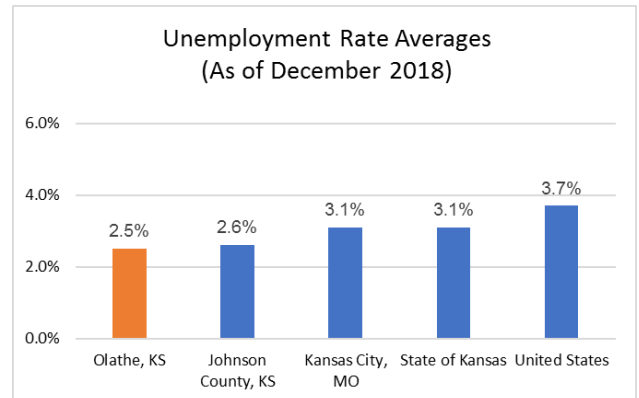
The inflation rate has continued to decrease from 2.2% in November 2018 to 1.9% in December 2018. Decreases are occurring mainly due to a fall in the cost of gasoline and clothing while prices of electricity have stalled<sup>5</sup>

## Housing and Residential Construction

The average price of all homes sold in Johnson County remains steady at a YTD average price of \$333,717 (as of December 2018), up from last year's YTD average of \$315,625 (through December of 2017)<sup>6</sup>. Within Johnson County, 1,869 single family building permits were issued through December 2018, which is above 1,719 building permits, the average through December of the previous 5 years<sup>7</sup>. 1,854 multi-family building permits have been issued through December 2018, which is above 1,511 building permits, the average through December of the previous 5 years.

## Retail Sales

Data provided by Kansas Department of Revenue YTD shows Olathe's share of retail sales in Johnson County stands at 21.5%, down slightly due to high growth in other Johnson County cities.



## Conclusion

Throughout 2018, Olathe has had steady economic performance, commercial development, retail sales, and a low unemployment rate. With slower retail sales observed through Q4 2018, staff will continue to closely monitor sales tax revenues in early 2019 in order to forecast future receipts.

<sup>3</sup> CERI (County Economic Research Institute) Johnson County Non-Residential Building Permit 4th Quarter Reports (October, November, December)

<sup>4</sup> U.S. Bureau of Labor Statistics

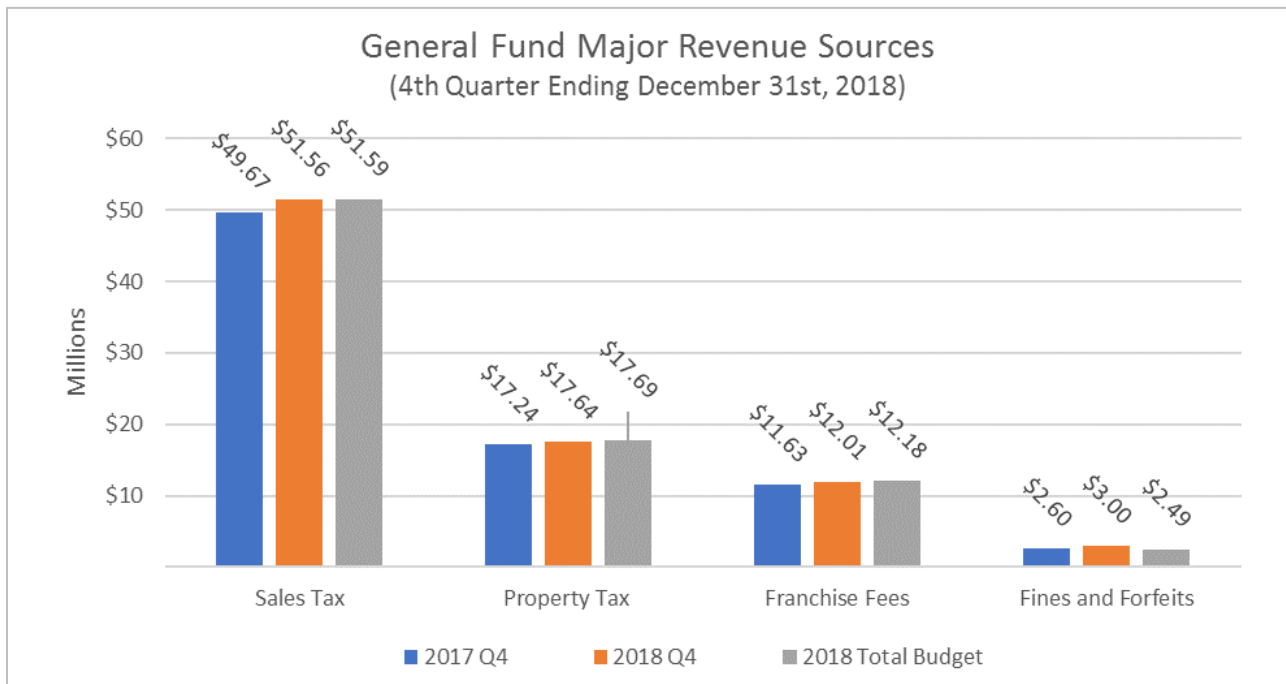
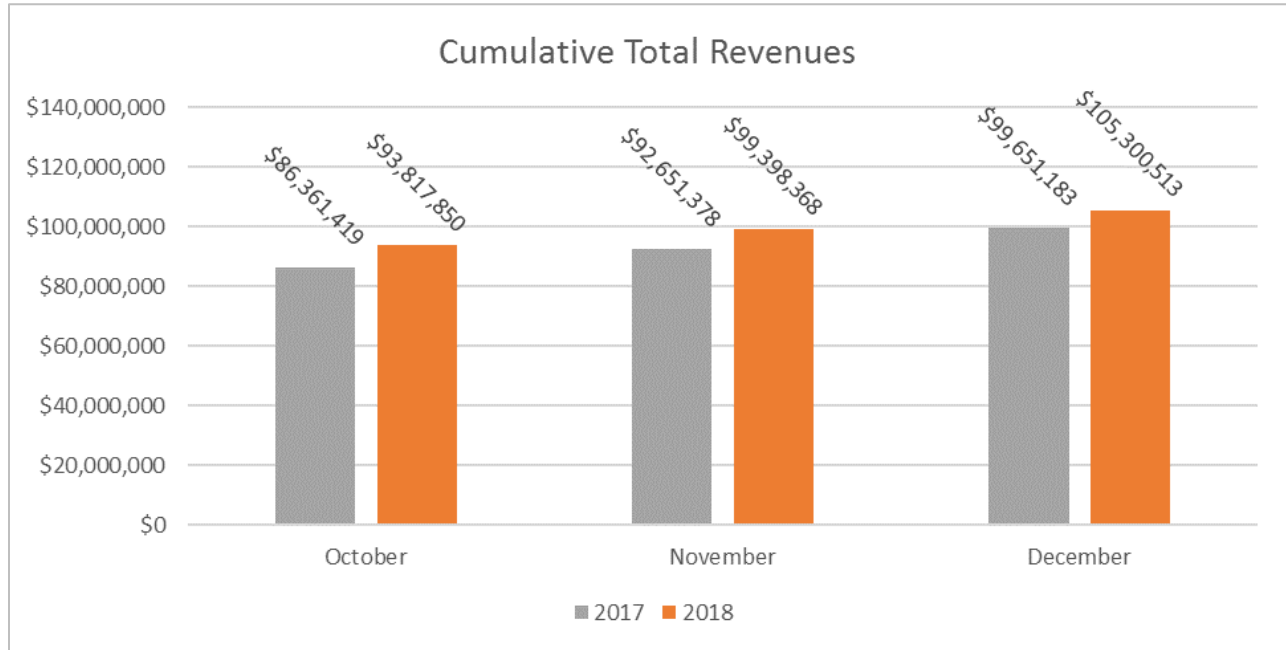
<sup>5</sup> Data gathered from Trading Economics <http://www.tradingeconomics.com/united-states/inflation-cpi>

<sup>6</sup> CERI (County Economic Research Institute) Johnson County Indicators, February 2019 Issue (Pricing data originally sourced from Heartland MLS)

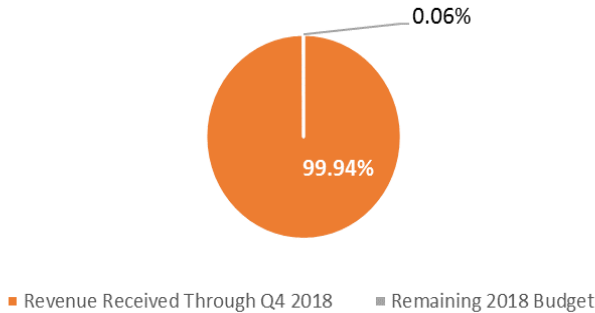
<sup>7</sup> CERI (County Economic Research Institute) Johnson County Selected Data Analysis, February 2019 Issue

## REVENUES

**Overview:** Total revenue collected through Q4 2018 is \$105,300,513 which is an increase of \$5,230,282 or 5.30% over Q4 2017. Excluding Johnson County Courthouse Sales Tax collected in 2017 and 2018, the increase is \$4,815,655 or 4.95%. Below are charts tracking cumulative total revenues by month and by major revenue source. Incoming revenue to budget actuals can be found on the next page. Staff monitors actual revenues against forecasted revenues monthly and will inform the City Council of any adjustments that may be necessary.



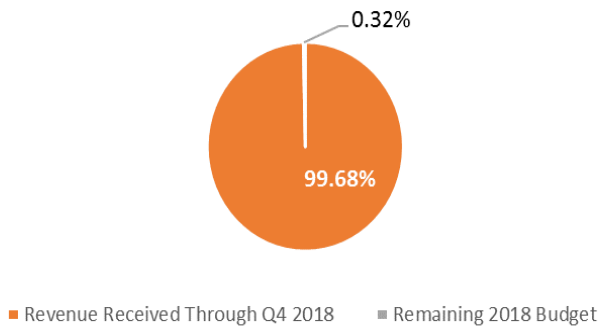
### Sales Tax Revenues



➤ **Sales tax revenues** collected through Q4 2018 are \$51,558,306. Excluding Johnson County Courthouse Sales Tax, that amount is \$48,440,217, or 2.22%, higher than the revenue collected from sales taxes in Q4 2017.

- *Historical percentage of end of year total sales tax revenue received to budget by Quarter 4:*
  - 2017: 101.60%
  - 2016: 102.72%

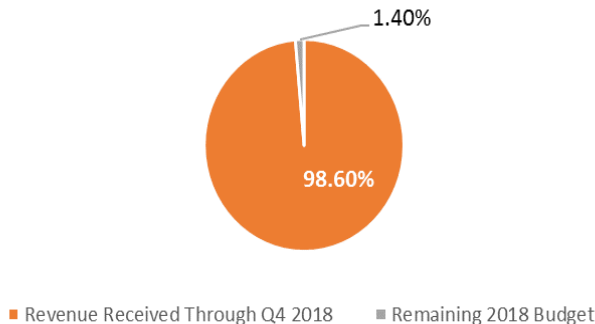
### Property Tax Revenues



➤ **Property tax revenues** collected through Q4 2018 is \$17,635,019. When adjusting for changes in the General Fund mill levy, that amount is \$1,284,624, or 9.13% higher than the revenue collected from property taxes in Q4 2017. Most property tax revenues are captured in January, March, and June. Some additional revenues were recorded in October.

- *Historical percentage of end of year total property tax revenue received to budget by Quarter 4:*
  - 2017: 99.29%
  - 2016: 102.92%

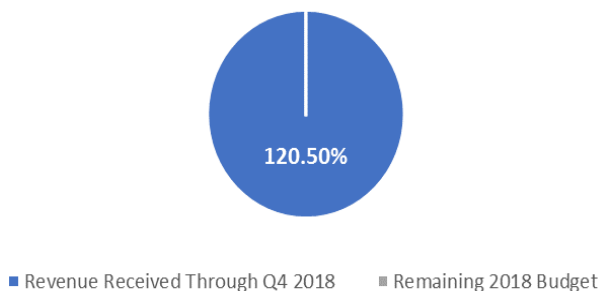
### Franchise Fee Revenues



➤ **Franchise fee revenues** collected through Q4 2018 are \$12,009,644. That amount is \$380,400 or 3.27% higher than the revenue collected from franchise fees in Q4 2017.

- *Historical percentage of end of year total franchise fee revenue received to budget by Quarter 4:*
  - 2017: 94.05%
  - 2016: 95.72%

### Fines and Forfeits Revenues

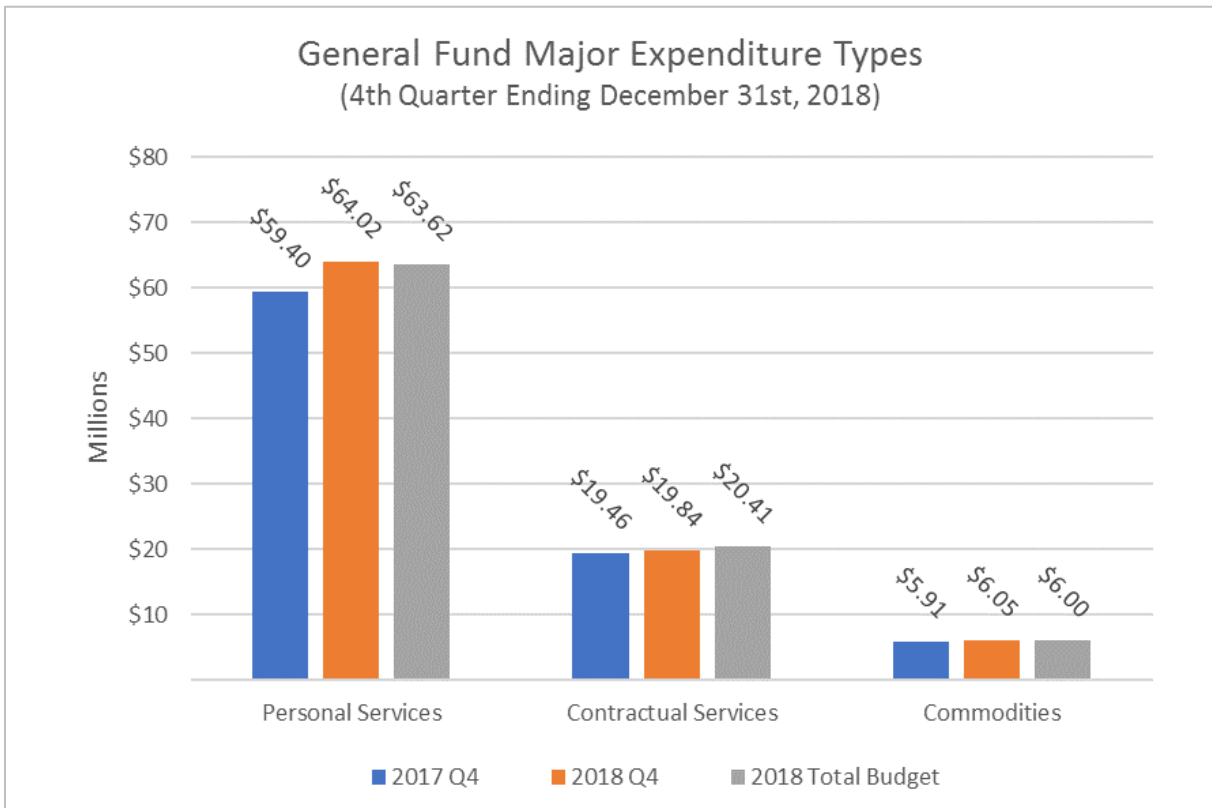
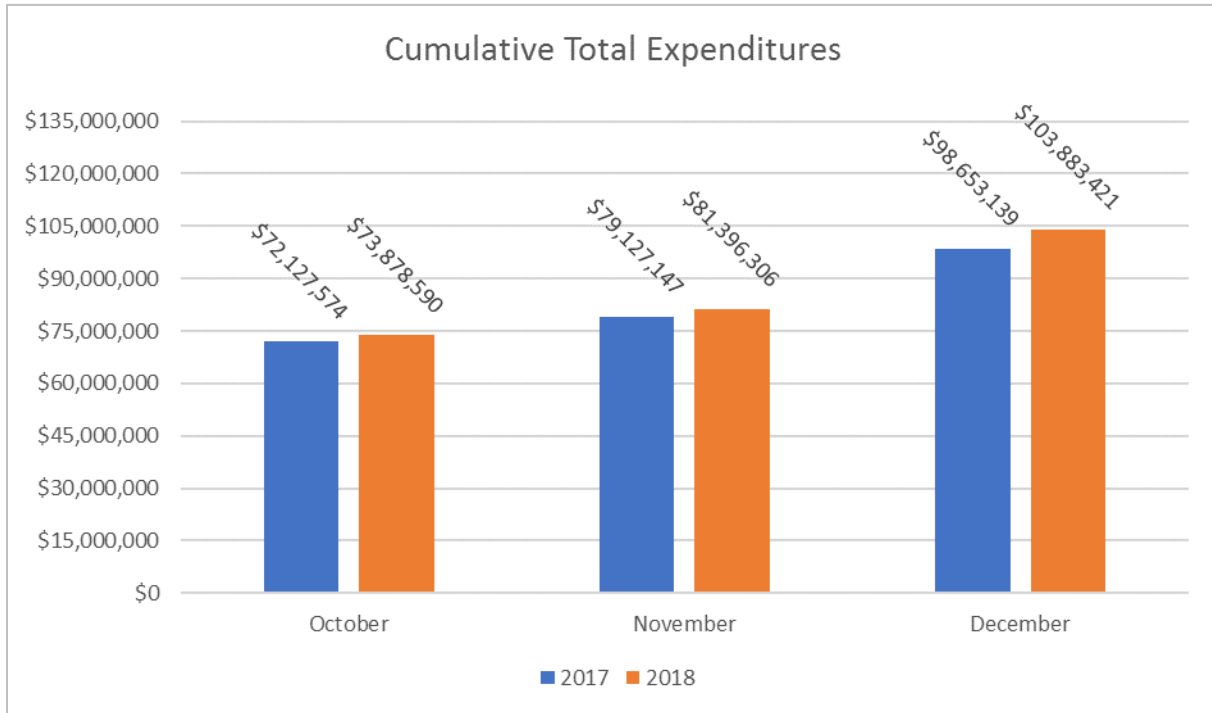


➤ **Fine revenues** collected through Q4 2018 are \$3,002,196. That amount is \$401,298, or 15.43%, higher than the fine revenue collected in Q4 2017. The 2018 budget reflects the new fine schedule as adopted July 1st, 2017. Between 2017 and 2018, there was a 22% increase in the number of cases filed, which resulted in higher revenues for 2018.

- *Historical percentage of end of year total fine revenue received to budget by Quarter 4:*
  - 2017: 66.43%
  - 2016: 94.40%

## EXPENDITURES

**Overview:** Total expenditures spent in the General Fund through Q4 2018 are \$103,883,421. This amount is \$5,155,973, or 5.22% higher than Q4 in 2017. Below are charts tracking cumulative total expenditures by month and cumulative expenditures by major expenditure types. The next page tracks how closely expenditure types are tracking to their budgeted projections.



### Personal Services Expenditures



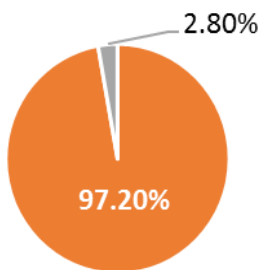
■ Budget Spent Through Q4 2018 ■ Remaining 2018 Budget

➤ **Personal services** expenditures through Q4 2018 are \$64,018,985. That amount is \$4,618,989, or 7.78% more than expenditures for personal services in Q4 2017. The increase over 2017 was largely due to a decrease in vacant positions from 2017 to 2018.

➤ *Historical percentage of end of year total personal services spent to budget by Quarter 4:*

- 2017: 93.12%
- 2016: 94.71%

### Contractual Services Expenditures



■ Budget Spent Through Q4 2018 ■ Remaining 2018 Budget

➤ **Contractual services** expenditures through Q4 2018 are \$19,838,844. That amount is \$379,162, or 1.95% more than expenditures for contractual services in Q4 2017. Expenditures for contractual services were below budget due to lower than projected vehicle expenses.

➤ *Historical percentage of end of year total contractual services spent to budget by Quarter 4:*

- 2017: 103.54%
- 2016: 96.66%

### Commodities Expenditures



■ Budget Spent Through Q4 2018 ■ Remaining 2018 Budget

➤ **Commodities** expenditures through Q4 2018 are \$6,052,262. That amount is \$141,715 or 2.40% higher than expenditures for commodities in Q4 2017. Commodity expenditures were slightly above budget due to rising fuel costs and training/equipment for new and current employees.

➤ *Historical percentage of end of year total commodities spent to budget by Quarter 4:*

- 2017: 90.16%
- 2016: 91.86%